

## FINANCIAL TIMES

Europe's Business Newspaper

## PepsiCo shares fall as Cott sparks US cola price war

Shares in PepsiCo, US maker of soft drink Pepsi-Cola, lost 9 per cent of their value by mid-session after the company said a cola price war had broken out in its domestic market. PepsiCo warned that second quarter profits would be flat because of inroads into the US cola market by Cott, fast-growing Canadian maker of low-cost, store-branded drinks and food. Cott recently sparked a row in Britain by supplying J. Sainsbury, the country's biggest retailer, with a store-branded cola that looks and tastes similar to Coca-Cola but sells at about half the price. Page 17

## Suspected IRA guerrillas cleared by German court

A court in Düsseldorf acquitted three suspected Irish Republican Army guerrillas of killing a British army officer, but said it was convinced they were IRA members. Paul Hughes, Donna Maguire and Sean Hick, had been charged with the 1990 shooting of Major Michael Dillon-Lee in front of his wife at their Dortmund home.

## Nikkei reaches highest level in two years

Economic optimism continued to sweep the Tokyo stock market yesterday, with the third day of rising prices pushing it to the highest point since March 1992. The rise in the Nikkei Average, by 140.84 points to 21,402.75, reinforces its break this week through the technical barrier of 21,000 and leaves it nearly 23 per cent ahead of the level at the turn of the year. Page 17

**North Korea warns South of devastation**  
North Korea's foreign minister Kim Yong-nam threatened the South with devastation if war broke out, while China again rejected efforts by South Korea to persuade it to support sanctions against the North over nuclear inspections. Page 8

**Bank of Ingolstadt** A UK subsidiary of the Paris-based merchant bank last year created an account for a fictitious \$100m deposit for the Central Bank of Kenya (CBK) which was used by the CBK to conceal a foreign exchange fraud from international creditors. Page 16

**Safinas may stand for WTO** President Carlos Salinas of Mexico is considering joining the race to become head of the World Trade Organisation, due to succeed the General Agreement on Tariffs and Trade next year. Page 16; Observer, Page 15

**Loesche, UK-based conglomerate**, is planning to double the size of its African mining interests in a deal expected to be announced within the next year. Page 17; Lex, Page 16

**Bonne forecasts rise in growth rates** The German government's forecast a recovery in economic growth from 2.5 per cent in 1994 to 3.5 per cent in 1995, and an average growth rate of 3 per cent a year, from 1995-98. Page 2

**Nato offers olive branch to Moscow** Nato promised Russia a relationship that would reflect its status as the most powerful nation in Europe in an effort to secure its participation in the Partnership for Peace military programme. Page 3

**US under pressure on Bosnia** The US administration came under increasing pressure over Bosnia when the House of Representatives voted to require the US to stop enforcing a United Nations arms embargo and to supply weapons to the Bosnian Muslim government. Page 5

**C&G ruling welcomed** The Cheltenham & Gloucester Building Society closed its doors to new customer deposits in the wake of the High Court ruling barring the terms of Lloyds Bank's £1.6bn (3.7bn) cash bid. Page 17; Editorial Comment, Page 15

**Honda to open new plant in UK** Honda is poised to announce a significant expansion of its UK car manufacturing operations at Swindon in south-west England, which could increase capacity by up to 50 per cent. Page 16

**Call for independent Bank of England** The incoming deputy managing director of the International Monetary Fund, Stanley Fischer, has called for the Bank of England to be given independence. Page 9

**Colombia quake toll may top 1,000** More than 1,000 people may have died in Monday's earthquake and mudslides which devastated the remote Paez valley south-west of Bogota, a government official said.

**FT STOCK MARKET INDICES**

**US LUNCHTIME RATES**

**LONDON MONEY**

**NORTH SEA OIL (Argus)**

**Gold**

**New York Comex (Arg)**

**London**

**Awards**

**Events**

**FTSE 100**

**FTSE Eurofirst 300**

**FTSE Smallcap 100**

**FTSE All-Share**

**Small**

**FTSE 100 Index**



## EUROPEAN NEWS DIGEST

## Schneider slush fund claim

A Swiss businessman has told French and Swiss newspapers that he administered for Groupe Schneider's "slush fund" of which Mr Didier Pineau-Valencienne, president of the French group charged with fraud, may have known nothing. In interviews published yesterday with Paris Match magazine and the *Neuve Quotidien* de Lausanne, Mr Luc Jacquier said he managed a Swiss trust company called Finamines. This was set up by the Belgian Empain group - itself later absorbed in Schneider - to help run its mining interests in Zaire after the latter's independence in 1960 from Belgium. Finamines in turn had relations with the Panamanian holding companies of Mitrac and Tramico, according to Mr Jacquier, and these two companies received a considerable amount of money from the 1980s to the mid-1980s. For this reason, Mr Jacquier said the existence of Mitrac and Tramico was kept secret from shareholders of Cofitel and Comifines, in which Schneider had a stake. Minority shareholders in Cofitel and Comifines said Schneider had not given them good enough terms in buying them out in 1992. This eventually launched the Belgian judicial inquiry which in turn landed Mr Pineau-Valencienne in jail. Mr Pineau-Valencienne was eventually released on 2,200,000 francs bail. Mr Jacquier's reported comments would appear to point the finger at Mr Jean Verdier, who managed Schneider's interests in Belgium until his death in an air crash two years ago.

David Buchan, Paris

## Moscow reports denied

President Boris Yeltsin's spokesman said yesterday that the Russian leader might sack prime minister Victor Chernomyrdin, who is recovering from a kidney complaint. *Komsomolskaya Pravda* newspaper yesterday quoted "informed sources" as saying that Mr Yeltsin wanted to replace him with Mr Yuri Skokov (pictured left), a presidential enemy with links to the defence industry and hardline Russian politics. This latest report may well reflect genuine anger by the defence lobby at the government and lower chamber of parliament's refusal to grant it extra spending in the 1994 budget.

John Boulton, Moscow

## Czech fugitive stays put

Mr Viktor Kozeny, the Czech financier being investigated by prosecutors over his role in a blackmail scandal, yesterday denied wrongdoing but said he would not return to Prague from self-imposed exile abroad until he was allowed "to pursue my job in peace." Mr Kozeny, who went to Switzerland in March during the trial of a Secret Service agent he had accused of blackmail, said it was "simply impossible" to manage his Harvard group of investment funds while "being branded a criminal." Vlastimil Botana, Prague

## Lisbon 'fastest growing city'

Lisbon is set to be the fastest-growing European city in the next four years, closely followed by Dublin, Hamburg, Athens and Lille, according to new UK economic study.

The report, by Cambridge Econometrics, predicts Stuttgart will see the slowest rate of economic growth. Stuttgart's economy is predicted to expand by only 1.1 per cent a year, while

Lisbon is expected to grow by 3.6 per cent a year. London will grow 2.3 per cent a year, with Paris' growth rate of 1.8 per cent.

*European Regional Prospects: Cambridge Econometrics, Oxford Circular, Cambridge, UK, Euro 100.*

Gillian Tett, Economics Correspondent

## Poland expects 5% growth

The Polish government expects the country's economy to grow an average of 5 per cent a year until 1997 and inflation, now 30 per cent annually, to fall to single figures by then, according to a plan presented to parliament yesterday. The plan foresees unemployment falling from 16 per cent to 14 per cent in the period. But Mr Grzegorz Kolodko, deputy premier in charge of the economy, warned of inflationary dangers as industrial unrest affected several major enterprises. Yesterday over 20,000 workers at the giant Huta Katowice steelworks continued a nine-day-long strike in support of wage demands while the Italian-owned Huta Lucchini Warsaw steelworks in Warsaw saw its 2,000 employees occupy the plant to back a 30 per cent wage rise demand. Christopher Bobinski, Warsaw

## Irish health insurance move

Private health insurance in Ireland will be opened up to competition but new entrants will be prevented from "cherry-picking" the low-risk sector of the market, according to government proposals published this week. An EU directive on non-life insurance comes into force next month, and the proposals are intended to ensure Ireland's compliance with the directive in the health insurance sector, by allowing other EU groups to enter the Irish market.

Tim Cope, Dublin

## ECONOMIC WATCH

## Portugal's fiscal revenue rises

Fiscal revenue in Portugal rose 26.8 per cent in the first five months of 1994, compared with the same period in 1993, to £1,905bn (£1.07bn), the finance ministry said yesterday. The increase of £575.5bn is already more than the £340bn in tax revenue growth that the government budgeted for the whole of 1994. A 3.9 per cent increase in government expenditure from January to May was also well within budget, the ministry said. The revenue rise reflects improvement in tax collection, particularly of VAT, after virtual abolition of the tax machine last year. Indirect taxation revenue grew 35.8 per cent over the first five months to £627.5m. Control over spending is largely attributable to a cut of only 2.5 per cent in public administrative sector wages during the first quarter of 1994. Portugal's budget deficit for the first five months fell 26.1 per cent, compared with the same period last year, to £292.2bn. Peter Wile, Lisbon

France's seasonally-adjusted industrial production index rose 0.2 per cent in March from the previous month to an index level of 110.3, the National Statistics Institute (INSEE) said yesterday.

Dutch consumer spending in the first quarter of 1994 showed a strong 3.8 per cent year-on-year rise, largely due to a rise of 10 per cent in car purchases, the Central Bureau of Statistics (CBS) said yesterday.

European airlines' estimated operating losses rose fractionally in 1993 to £2.65bn (£1.48bn) from £2.22bn in 1992, the Association of European Airlines said.

## Nato offers Russia a special relationship

By Bruce Clark in Istanbul

Nato yesterday held out an olive branch to Moscow by promising it a relationship that would reflect Russia's status as the most powerful nation in Europe.

Diplomats said the message, contained in a communiqué by Nato foreign ministers and a series of verbal statements by senior Alliance figures, should be enough to persuade Russia to join Partnership For Peace, the military co-operation programme in the near future.

Ideally, the question of Nato's relations with Russia would be settled before the European Union summit in Corfu later this month, which is expected to set the seal on enhanced Russia-EU ties.

Mr Sergio Balzino, Nato's acting secretary-general, told

the meeting: "Russia will remain the most powerful nation in Europe; its active participation in building a new security architecture in Europe is vital."

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Mr Andrei Kozyrev, Russian foreign minister, will deliver an initial response to the ini-

tial when he and his counterparts from other east European nations arrive in Istanbul today.

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Diplomats said this implied acceptance of Russia's wish for an upgraded dialogue on matters such as nuclear safety and non-proliferation.

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## NEWS: EUROPE

Sunday's European vote is critical for fate of Socialist government, writes David White

## González waits for the judgment of Spanish

**EUROPEAN ELECTIONS**  
June 9 and 12

If the opinion polls are right, Sunday's European parliament ballot will give the conservatives of Spain's Popular party their first victory in a nationwide election since General Franco's death in 1975 and the restoration of democracy. How much damage the governing Socialists sustain in the aftermath of recent corruption affairs will crucially affect the fate of Mr Felipe González's government, re-elected a year ago for a fourth term.

Mr González's vital ally, Catalonia's regional president, Mr Jordi Pujol, has promised continued backing irrespective of who wins on Sunday - "unless something spectacular happens". Mr Pujol's Convergència i Unió party has just enough deputies in the national parliament to make a combined majority with the Socialists and shore up the government.

For the moment, this arrangement is convenient for Mr Pujol. He gains leverage in Madrid, and may see the Socialists as less of a danger to him in Catalonia while they hold power nationally than they would be in opposition. Also, he could not easily switch allegiance to the Popular party, which has quelled its pitch in Catalonia by making a fuss over the language issue.

However, many of his party's grass-roots supporters fail to understand why they should help a discredited government in Madrid. The more the government's credibility is undermined - either by further disclosures or by a heavy defeat on Sunday - the more fragile this informal alliance will become.

Opinion polls have been remarkably consistent. The Socialists, fighting for the centre ground with both the PP and mainstream regional parties, are generally given only about 31 per cent of the vote, compared with almost 39 per cent in last year's general election and 40 per cent in the 1989 European election. The PP comes ahead of this in all the

polls, mostly in a range of between 37 and 40 per cent, improving on its score last year of just under 36 per cent. This would give the conservatives 26 or 27 seats compared with the 15 they won in 1989. The Socialists would lose up to six of their 27 seats.

The Communist-led United Left is predicted to show strong gains with up to 15 per cent of the vote.

With the same consistency,

the Socialists are seen losing ground in their stronghold region of Andalucía, where regional elections are being held on the same day - maintaining their lead but losing their outright majority, and therefore probably being forced to seek an alliance with the United Left.

Mr José María Aznar, the PP leader frustrated in his bid for power last year by a margin of 1m votes, believes his party

could finish 2m votes ahead - and within the next year win a general election.

But there are dangers in drawing too many conclusions from the polls. Firstly, Sunday's vote cannot necessarily be translated into a likely general election result. Many observers see it as a cost-free way for voters to punish the government. The "useful vote", which last year enabled the Socialists to pick up part of the

United Left's electorate to stave off a right-wing victory, does not apply.

Secondly, pre-election polls in Spain are often misleading. Mr Fernando Morán, the 63-year-old former foreign minister who heads the list of Socialist candidates, says there has always been a "hidden vote". In previous elections, this has involved supporters of the traditional right who were reluctant to declare their sympathies to pollsters. This time, he says, the same may apply to Socialist supporters.

The professorial Mr Morán, whose signature stands on Spain's 1996 European accession treaty, leads the personal popularity stakes among the candidates. He believes the Socialists could still end narrowly ahead but says an advantage of one or two seats for the PP would be an "acceptable result".

Predictably, Socialist politicians have again conjured up the spectre of the authoritarian right. Mr Aznar has tried to remove his reformed PP from any associations with Francoism, which put a ceiling on the party's vote-winning potential when it was under the

leadership of Mr Manuel Fraga, former information minister under the Franco regime. However, some close collaborators of Mr Fraga still figure on the PP list.

A star young PP candidate, Ms Mercedes de la Merced, provided a godsend for the other parties by speaking favourably of Franco as "a person who cared about the weaker classes" and who "built a whole lot of houses for the poor".

Up to eight of Spain's 39 lists of candidates - almost twice the number in France - stand a chance of returning an MEP. Less likely contenders include the traditionalist Carlist Communión, two Falangist parties and the Spanish branch of Hunting, Fishing, Nature and Tradition, whose candidates include a bullfighter.

Businessman José María Ruiz-Mateos, who helped stave off trial on falsification charges by getting elected on his own ticket last time, is standing again. His posters show him in a hard-hat with the slogan "Spain for the Spaniards, work for everyone". But the omens are not good. The football club he bought has just been relegated to the second division.

"If there is an electoral disaster, there will have to be some hard thought." - Felipe González, Spanish prime minister.

"Italy counts for little in Europe at the moment. It has to count for more." - Forza Italiana candidate Francesco Bove.

"We cannot pick and choose to which continent we belong." - Douglas Hurd, UK foreign secretary.

"An Anglo-Saxon billionaire with the bulk of his fortune invested in the US." - Dominique Baudis, leader of the French IDF-RPR list, on Sir James Goldsmith, the tycoon running on anti-Maastricht ticket.

"They are trying to use the date to destroy the whole idea. I will not play along with that." - Chancellor Helmut Kohl, on British Eurosceptic stressing the importance of the Maastricht convergence criteria for Ecu.

"No, no, no and no again" - Danish People's Movement Against the EU.

"It is now clear that John Major is a jumble hooked on Tory central office lies." - Jack Cunningham, Labour's shadow foreign secretary.

"We would rather be open to the world than turned in on ourselves." - Slogan of Germany's Green party.

"Our aims go beyond Maastricht: monetary union and a free market are not enough." - former Christian Democrat Mario Segni who helped trigger electoral reform in Italy.

"The government has an archaic vision of Europe. They think Europe is abroad." - José Jon Imaz, Basque Nationalist Party candidate.

"Europe Yes, Portugal For Ever." - Slogan of Portugal's governing Social Democratic party and the right-wing CDS-PP.

"Europe No, Portugal Never" - sell-out satirical review now showing in Lisbon.



Mr Felipe González: how much damage his Socialist party sustains in the European parliament elections will crucially affect his government's life expectancy

## Contented Luxembourgers look for more of the same

**David Gardner** finds the prosperous Grand Duchy, one of the six founder members of the Euro-club, upbeat on the question of European integration

L uxembourg comes across as a tonic for a Europe fed up with proactivity after an almost unbroke 10-year cycle of growth with unemployment a quarter of the EU average, the tiny Grand Duchy, exploiting its niche at the conjunction of France, Germany and Belgium, outwardly looks very self-satisfied indeed.

Proud of its role as one of the six original founders of the Euro-club, its people's commitment to Europe is not in doubt. But nor is it any longer unquestioning.

Turnout in the June 12 elections to the European Parliament will be deceptively high at nearly 90 per cent. As in Belgium, voting is compulsory, and uniquely, Euro-politics coincide with national elections.

In the latter, the coalition between the Christian Socialist and Socialist parties, in power since 1984, is expected to be returned, with a modest bruising from the liberals of the

Democratic Party, more Greens alongside them, and perhaps a first seat for Luxembourg's small but threatening far Right.

At European level, where Luxembourg has a generous 6 seats in Strasbourg for its 400,000 people against, for instance, Germany's 99 seats for 81m inhabitants, the existing configuration should also hold steady. The Christian Socialists have three MEPs, the Socialists two, and the Liberals one - although the newly unified Greens might just win one seat.

Green MP Jup Weber, standing for Strasbourg where he already advises Green MEPs on forestry conservation, sums up the views not only of a small party but a small country when he says of the European Parliament that "it is a fantastic instrument for networking."

But behind this placid exterior the Luxembourgers worry a bit more about Europe's direction. "Luxembourgers know that we need Europe, especially after the last war," says Mr François Biltgen, the Christian Socialist chief whip. "The question is what sort of Europe we want."

The trauma of the second world war is scarred deeply in Luxembourg, which suffered proportionately the highest losses on the allied side except the Soviet Union. The post-war embrace of European integration was and is seen as its guarantee of peace and sovereignty.

But there are now undercurrents of concern about issues such as European citizenship and voting rights for foreigners; impact of the Single Market; perceived threats to

Luxembourg's thriving financial centre; and fears that the EU's 1996 constitutional review could downgrade the rights of small member states.

Maastricht allows foreigners to vote in European, and eventually, local elections. In Luxembourg, one third of the population and half the workforce is foreign.

The government therefore won a derogation requiring five years' residence before eligibility to vote, and 10 years before eligibility for office. This mostly deprived xenophobes of their market, and in practice only 6,000 foreigners have registered to vote.

In Dudelange, a neat industrial town of 16,000 near the French border, Mr Mars di Bartolomeo, the Socialist mayor and former parliamentary chief whip - himself the

grandson of Italian immigrants - argues that Luxembourg is a living example of integrating Europe's peoples. "You have the Europe of the institutions and you have the lived, practical Europe," he says. "That's what you see around you here, and we're proud of it."

But many Luxembourgers are less enchanted with the border-free Single Market, sold as a way of expanding into a hinterland of 10m. But bordering areas are more down-at-heels, and it is foreign companies moving into Luxembourg which are getting the best end of the deal, putting pressure on the Grand Duchy's mostly small- to medium-size industries.

European harmonisation, moreover, could close the loopholes that enabled Luxembourg to become a

tax haven and satellite broadcasting centre. "Our partners tend to think we became rich essentially at their expense, by exploiting loopholes," acknowledges Paul Helminger, deputy mayor of Luxembourg city standing for the Democrats for both parliaments. With decisions of this magnitude increasingly taken at EU level, "it is not surprising that people are questioning the wisdom of dismantling the nation-state," Mr Helminger says.

The Democrats, traditionally the party of Europe, which provided Gaston Thorn as Commission president in the early 1980s, have sprouted an influential Eurosceptical wing to reflect this. And all the main parties are determined to preserve Luxembourg's position in the 1996 review of power-sharing and decision-making in the Union.

"Our position is that we need Europe, but that too much Europe could be harmful for a tiny country," says Mr di Bartolomeo.

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Committees of Senate and House to study reform bills

## Congress moving on healthcare

By George Graham

The US Congress has at last started to make some procedural progress in its efforts to draft healthcare legislation, but consensus on how to reform the system is as far away as ever.

Senator Daniel Patrick Moynihan, chairman of the Senate finance committee, yesterday presented his committee members with a proposal closely modelled on President Bill Clinton's reform plan.

Mr Moynihan, meanwhile, has failed after weeks of negotiations to come up with the Republican support that he has said is essential for the passage of healthcare reform.

His proposal broadly follows the Clinton plan, including the requirement that employers pay 80 per cent of the cost of health insurance for their employees, though it adds subsidies for small businesses and eliminates the compulsory insurance-buying alliance in the White House version.

But congressional healthcare experts said yesterday that Mr Moynihan's purpose was to prove to the White House that its scheme is truly dead, by demonstrating how little support it gets in his committee.

Other centrist senators are working on proposals aimed at fine-tuning the controversial employer mandate while still reaching universal coverage.

Among these ideas is a "hard trigger", in which the employer mandate would only come into effect if, after a specified number of years, market reforms in a voluntary system have not resulted in 85 per cent of currently uninsured workers obtaining coverage.

The important thing is that the main committees get bills marked up, then we can sing it out on the floor," an administration official said.

Mr Kennedy has achieved

some progress, winning unanimous votes on a handful of

## Price-fixing in plastics admitted

By Jeremy Kahn

in Washington

The US Justice Department said yesterday it had cracked a price-fixing conspiracy among three plastic cutlery manufacturers that controlled over 90 per cent of the \$100m-a-year US market.

Following joint raids by the Federal Bureau of Investigation and the Royal Canadian Mounted Police, the department charged that executives of Minnesota-based Plastics Inc, Pennsylvania-based Polar Plastics and Massachusetts-based Comet Products had agreed in secret telephone conversations and meetings to drive up prices on disposable cups and glasses from December 1991 to December 1992.

The three companies have all agreed to plead guilty and will collectively pay over \$3.36m (35.57m) in fines. Four corpo-

rate executives charged individually in the case also agreed to guilty pleas and face potential imprisonment and hundreds of thousands of dollars in fines under US anti-trust and wire fraud laws.

"This is the kind of international co-operation that is urgently needed in an age of shrinking borders and international anti-trust conspiracies," Ms Janet Reno, US attorney general, said of the combined US-Canadian raids that led to the indictments.

The administration has been attempting to bolster anti-trust operations.

Two of the executives charged, Mr Robert Westbrook and Mr Warren White, president and vice-president of Plastics Inc, respectively, are accused of defrauding Delta Airlines and Banzul, both of which use large quantities of plastic dinnerware.

## Bosnia pressure on Clinton grows

By George Graham

The US administration came under increasing pressure over Bosnia yesterday when the House of Representatives voted to require the US to stop enforcing the United Nations arms embargo against the former Yugoslavia and to supply weapons to the Bosnian Moslem government.

The vote, by 244 to 178, does not have the force of law but will complicate the administration's efforts in partnership with its European allies and Russia to bring the warring parties to a peace settlement.

Congressman Lee Hamilton, chairman of the House foreign affairs committee, warned it would merely aggravate the conflict in Bosnia.

"First of all, it's going to intensify the war," he said, adding that the vote would also lead to the withdrawal of UN troops, the breakdown of humanitarian operations and the end of the peace process.

Congressman Jerry Nadler countered that the embargo was "the minimum of genocide".

President Bill Clinton has said he favours lifting the arms embargo on Bosnia but does not want to act unilaterally, in defiance of the wishes of the European countries which make up the bulk of the UN peacekeeping force in Bosnia.

Senior administration offi-

cials lobbied members yesterday morning to vote against the measure, which they feared would complicate their efforts to persuade the Bosnian Moslem government to accept a "reasonable solution".

The US has in recent weeks moved closer to the views of France and the UK on the need to apply pressure on the Bosnian Moslems. Officials have indicated that they would be ready to consider removing some economic sanctions against Serbia if the Bosnian Moslem government rejected the peace proposals on which the US is working with Europe.

Yesterday's resolution sponsored by Congressmen Frank McCloskey of Indiana and Benjamin Gilman of New York, requires the president to "terminate the US arms embargo of the government of Bosnia and Herzegovina upon receipt from that government of a request for assistance in exercising its right of self-defence".

It authorises the president to provide "appropriate military assistance" and authorises the transfer of up to \$200m (£133m) of military equipment and training services to the Bosnian government.

Although the Senate has passed a similar resolution, its language was different, and identical versions would have to be passed in both chambers before the measure could become law.

## Chile targets roads as the route to growth

David Pilling reports on the awarding of concessions to upgrade rundown infrastructure

**M**r Ricardo Lagos does not believe in miracles. "Behind the Asian miracle, there are two principal factors," says Chile's recently appointed public works minister. "A radical reform of the educational system and a spectacular programme of infrastructure."

The fact that infrastructure is now the responsibility of such a high-profile minister - Mr Lagos is one of Chile's best-known politicians - indicates the new administration's desire to follow Asia's lead by upgrading and expanding a largely dilapidated transport network. Chile's road system, for example, has been starved of resources for decades and has hardly altered since the 1970s, though traffic flows have quadrupled.

Mr Christopher Brown, executive director of the Chilean-British chamber of commerce, says rundown infrastructure could start to hamper growth. Unless action is taken, he says, "export bottlenecks will emerge, and we just won't be able to get the products to the boats on time".

Chile, which has grown by an average 6 per cent a year over the past decade, is dependent on trade, exporting nearly a third of its gross domestic

product. Mr Lagos agrees with Mr Brown's verdict. He proposes to double annual spending on infrastructure to \$1.5bn (£1bn) within four years, both to improve export competitiveness and to help the administration's broader aim of eradicating extreme poverty.

Mr Lagos says a total of \$3.5bn needs to be invested by 2010 and that new ways, including an ample role for private sector financing, must be found to pay for public works.

Projects built under concession, legislation for which was approved during the previous administration of President Patricio Aylwin, will play an important role, he says. The first such project - the \$25m El Melón tunnel to the north of Santiago - is being built by Endesa, an energy holding company. Mr Lagos hopes to sign concessions for road projects worth \$110m this year and for \$220m in 1995.

Mr Alejandro Fernández, head of studies at independent economics consultant Gemina, supports concessions in theory, but says the new law is "clumsy and bureaucratic".

Mr Lagos concedes that legislation is "in need of perfection", for example by exempting tolls from value-added tax. He does not believe, however,

that concessionaires should enjoy full ownership rights, favouring instead the eventual transfer of projects to the state. Tasc, a Santiago-based think-tank, has argued that this mechanism may act as a disincentive to adequate project financing.

Again Mr Lagos concedes that the build-operate-transfer arrangement can make it difficult for concessionaires to secure financing since banks often require as collateral the project itself, not just the rights over its use. He believes lending institutions need to change their attitude in this respect.

To help concessionaires, he says, the state is willing to subsidise certain projects. It will, for example, provide a \$4.2m subsidy to concessionaires building the \$22m road to the southern city of Concepción, the centre of the forestry industry.

Mr Lagos hopes Chile will soon be able to build an annual \$300m-worth of infrastructure under concession; private analysts estimate that \$2bn could be raised over the next five years. He says Mexico's ambitious

Mr Lagos concedes that legislation is "in need of perfection", for example by exempting tolls from value-added tax. He does not believe, however,

that risk-rating requirements will oblige them to proceed more slowly.

The government also wants private sector involvement in the dilapidated railway system, part of which is due to be privatised later this year. Ten companies, including Renfe of Spain and Rallizet of the US, have prequalified for the sale of 51 per cent of Pepasa, the railway cargo division.

A number of Chilean forestry exporters, seeking cheap access to the coast, are also interested.

Chile's ports, which handle nearly 95 per cent of exports, are split between the public and private sectors. Although efficient by Latin American standards, analysts say they fall far short of south-east Asian or European levels. Mr Lagos says he has no ideological objection to port privatisations, though he does not believe this should be an end in itself.

Looking to the next century, Mr Lagos shares with many other analysts a vision of Chile as South America's gateway to Asia. "Brazilian industrialists in São Paulo would find it much cheaper to the two days' lorry drive from Iquique or Antofagasta (northern Chilean ports) than to have to take a

boat around Cape Horn or through the Panama Canal to get to Japan or China," he says.

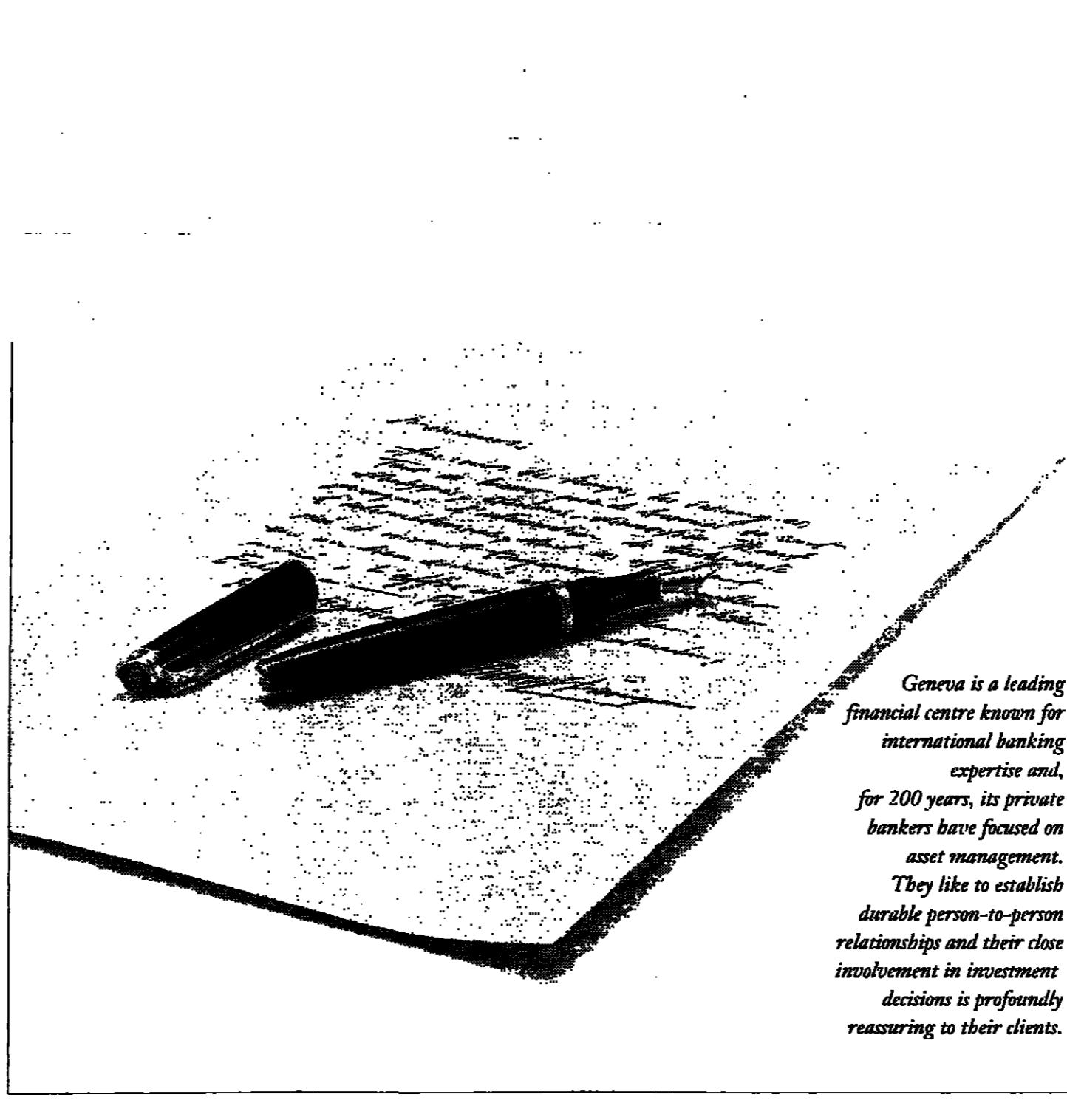
To exploit its 3,000-mile coastline to the full, Chile would need drastically to improve its links with Bolivia and Argentina. A tarmac road from Arica to the Bolivian border is due to open this year and plans have been announced for the possible construction of a sub-Andean tunnel to Argentina.

Mr Lagos wants 11 more overland passes to Argentina - in winter it is often impossible to drive between the two countries - while Mr Fernández believes roads dedicated purely to international cargo should be built.

Mr Lagos is not daunted by the task. As global trade expands and as Latin American nations such as Argentina and Brazil begin to realise their export potential, he believes Chile will be in a unique position to act as entrepot port.

"I am convinced that our geographical location, looking out on the Pacific, is a resource that we have to exploit. The republic of Venice in the 15th century had one great advantage - its location. That is Chile's greatest asset too."

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Creative Business

## NEWS: WORLD TRADE

Telecoms joint venture to provide D&amp;B data services

## Eunetcom wins \$200m deal

By Andrew Adonis in London

The telecommunications joint venture between the French and German state operators has won a \$200m contract to provide international data services to Dun & Bradstreet, the US information and business services group.

Eunetcom, the Franco-German joint venture, will provide all of D&B's worldwide data communications needs, taking responsibility for an existing network covering 30 countries, run by more than 150 staff.

The contract, Eunetcom's most significant advance so far in the market for "outsourcing" the telecoms needs of multinationals, comes amid negotiations between the Franco-German alliance and Sprint, the third-largest US long distance operator, about the formation of a larger alliance.

Mr Ronald Brown, the US secretary of commerce, yesterday defended the aggressive export promotion stance of the US administration and promised to continue vigorous lobbying for US companies seeking international contracts, writes Quentin Peel in Düsseldorf. He said the recent US success in winning two multi-billion-dollar aerospace and telecommunications contracts in Saudi Arabia was proof that the policy was effective.

Mr Brown yesterday re-opened the US consulate general in Düsseldorf and said this was part of a push to raise US exposure in Germany, and support exports, particularly of medium-sized US companies. Earlier, he had talked with Mr Wolfgang Böttch, the German minister for posts and telecommunications, and urged rapid liberalisation of the German telecoms market to give US suppliers greater access.

Eunetcom is believed to have won the D&B contract against strong competition from British Telecommunications and MCI, the second largest US telecoms operator.

BT and MCI forged a \$5.3bn alliance last year geared to the outsourcing market, estimated by analysts to be worth at least \$1bn a year in Europe.

France Telecom and Deutsche Telekom launched Eunetcom last September, and have since announced an Ecu1bn (\$1.2bn) alliance to integrate fully their data communications services.

Mr Claude Olier, Eunetcom chief executive, said: "This proves that Eunetcom is set to play a big role in the interna-

tional outsourcing market: we are not going to leave it to AT&T and BT." He added that up to 25 other contracts were in various stages of tendering, and that the saving on offer to companies outsourcing their telecoms was "between 10 and 20 per cent of their current bill".

Eunetcom's opponents in the fast emerging global struggle for multinationals' telecoms business are AT&T, the US operator, the BT-MCI alliance, and Unisource, a joint venture between the Swedish, Swiss and Dutch operators.

Unisource is working with AT&T in one significant European contract, and analysts believe a full alliance may be in the offing. An announcement by Sprint about its relationships with France Telecom and Deutsche Telekom is expected within the next 10 days.

## Reich warns on rights of workers

By Frances Williams in Geneva

In the clearest statement yet of Washington's position on worker rights and trade, Mr Robert Reich, US labour secretary, yesterday said trade sanctions should be just one option in a "menu" of possible international responses to rights abuses.

Mr Reich, addressing the annual conference of the International Labour Organisation, also drew a firm distinction between a few "absolute standards" which all countries should respect, and other labour standards which could be expected to improve with rising levels of development.

The US has led a campaign by industrialised nations for the links between "internationally-recognised labour standards" and trade to go on the agenda for future trade talks. This continues to be resisted by many developing countries, which fear concern over worker rights is a pretext for putting up trade barriers against low-wage nations.

Mr Reich outlined a "short list" of core labour standards, including prison and slave labour, some forms of child labour such as work by very young children, and restrictions on trade union organisation and collective bargaining. "Some labour practices simply place countries outside the community of civilised nations," he said.

Beyond that core, the international community could not dictate working hours, minimum wages, benefits, or health and safety standards which matched those of the rich industrial nations. However, it did have a legitimate interest in seeing standards rise with development. Countries with rising living standards offered growing markets for other countries' exports, he said.

A test of whether labour standards were improving as economies grew richer was the existence of democratic institutions.

Separately, Mr Reich also emphasised US interest in increasing exports to Japan in the field of information technology, where the US has a leading edge.



Reich: absolute standards

## NEWS IN BRIEF

## Singapore grants second mobile cellular licence

Singapore yesterday confirmed its intention to begin liberalising its telecommunications services by granting a second licence to operate mobile cellular services in 1997, writes Andrew Adonis.

Mr Mah Bow Tan, Singapore's communications minister, said the move reflected Singapore's "pro-competitive" stance, and its determination to make the country a telecoms hub for Asia.

However, Singapore's fixed-wire network will remain a monopoly for Singapore Telecom for another 13 years, and analysts doubted the value of the mobile cellular contract on its own.

Singapore already has one of the world's highest levels of cellular phone usage per head - 6.2 cellular subscribers per 100 people - and the new operator will not be able to launch a network for another three years.

## Mercedes' Romanian venture

Mercedes-Benz of Germany is to set up a joint venture in Romania to make car interior parts, Auto Rom, its representative, said yesterday. Virginia Marsh writes from Bucharest.

Mercedes, part of the Daimler-Benz group, plans to begin production of wooden and aluminium fittings at a new plant near Brasov in central Romania early next year, Auto Rom said. Initial investment in the venture, which will create 500 jobs, is estimated at DM20m (\$12m). Annual turnover is expected to be around DM60m. Auto Rom said Mercedes would consider moving more production to Romania if the venture proved successful.

## Japanese software decision

The Japanese authorities have decided not to sanction certain types of reverse engineering whereby software programmes are decompiled so that their contents can be analysed and recompiled in different form, writes Michiyo Nakamoto in Tokyo.

A report by the Agency of Cultural Affairs decided not to include a recommendation endorsing reverse engineering. The decision follows a formal US complaint last year over the Japanese move to recommend legalising software decompilation and is likely to ease tension with the US over intellectual property rights. In reverse engineering, the binary code of a software programme is translated into readable form and then recompiled into a new programme slightly different from the original.

The process enables companies to pirate software programmes of others but is also useful to ensure that new software programmes are compatible with existing systems.

## Cambodia to liberalise

Cambodia is planning to introduce a new "liberal" investment law, which is aimed at attracting foreign companies into specific sectors of the country's economy, agencies report from Canberra.

Mr Ith Vichith, secretary-general of the National Investment Committee, said priority investment areas would be in the rural and export sectors and in industries with high job creation. The central authorities would try to decentralise industry to provincial areas, and had started planning foreign investment zones, particularly for light industries.

## Mexican development deal

A \$50m (\$35m) contract to build a 30-storey hotel and office complex in the centre of Mexico City has been awarded to a joint venture between Trafalgar House, the large British construction and engineering group, and Grupo Siro, the Mexican contractor, writes Andrew Taylor in London.

About two thirds of the development will be occupied by a 360-bedroom Hilton Hotel, which is expected to open in 1997.

## Minister's remarks irk Malaysia

By Kieran Cooke in Kuala Lumpur

Malaysia is seeking clarification from the British government over remarks by Mr Richard Needham, the UK trade minister, suggesting that calls in Britain for retaliation against Malaysia might grow unless Kuala Lumpur lifts a ban on giving contracts to UK companies.

Visiting Malaysia this week, Mr Needham said he felt the ban, imposed at the end of February, would be lifted "within

six weeks". However, he said that as long as the ban was in force there was a chance that calls for some sort of retaliatory action would increase.

Mr Abu Hassan Omar, the acting Malaysian foreign minister, said Malaysia hoped for a quick response on the issue from the British government. While the reaction of the Malaysian government to Mr Needham's remarks has been muted, the government-influenced local media have sought to interpret the comments as a slight to the government.

Malaysia is seeking clarification from the British government over remarks by Mr Richard Needham, the UK trade minister, suggesting that calls in Britain for retaliation against Malaysia might grow unless Kuala Lumpur lifts a ban on giving contracts to UK companies.

Malaysia has played a central role in trying to persuade the Malaysians to lift the ban, imposed after a report in the London Sunday Times alleged that a British company had been involved in negotiations to offer bribes to Dr Mahathir Mohamad, the prime minister.

Malaysia says it will invest \$624m (\$420m) in a \$1.5bn joint venture to make car engines and components in China. The Chinese companies involved are the China North Industrial Group, China Aerospace Corp, and Aviation Industries of China.

## US studies Tokyo development aid

By Michiyo Nakamoto in Tokyo

The US is targeting Japanese overseas development aid as another channel for increasing US exports, according to a top US trade official.

In a break from conventional US trade policy, the Commerce Department is "looking into how US firms can get a larger share of [Japan's aid] financing", Mr Jeffrey Garten, under-secretary of commerce for international trade, said yesterday.

Japanese overseas development aid, much of which goes into infrastructure investment, amounts to about \$10bn a year, he said.

Of that, Japanese companies win about 30 per cent of contracts while US companies were receiving only about 5 per cent, according to Commerce Department estimates. "We have to take another look

at who is receiving what," Mr Garten noted. While no target is being discussed for the US share of Japan's ODA allocation, Mr Garten went on to say that "we think there is great room for US firms to expand their share".

He also underlined that Japanese aid was muted and that the task facing US authorities is to spread information on Japanese ODA among US companies and on how to go about

winning contracts. "Many, many US firms don't even know of the existence of this money," Mr Garten said.

Competition to win contracts involving Japanese aid would most certainly intensify, particularly from Europe.

Separately, Mr Garten also emphasised US interest in increasing exports to Japan in the field of information technology, where the US has a leading edge.



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## Southern African leaders reassure investors

By Mark Suzman,  
Patti Watchorn and  
Michael Holman in Cape Town

South African President Nelson Mandela and other southern African leaders yesterday urged foreign businesses to invest in the region and pledged to work quickly towards a regional free trade treaty and common market.

Speaking to several hundred business leaders from around the world at a meeting of the World Economic Forum in Cape Town, President Mandela declared South Africa's support for the creation of free trade agreement between eastern and southern African states and said he hoped an African common market would be established "in the near future".

President Joaquim Chissano of Mozambique, President Robert Mugabe of Zimbabwe and President Ali Hassan Mwinyi of Tanzania, who also addressed the summit as part of a panel, made similar commitments. They said the demise of apartheid in South Africa meant that, for the first time, "frontline" states were able to enter into a co-operative relationship with their giant neighbour to the south.

Over the past few months there has been widespread debate over future economic plans for the southern African region, with most neighbouring countries eager to encourage the export of South African skills and investments but fearful the country might use its power to gain regional domination.

The meeting appeared to indicate a desire on both sides to approach the issue cautiously, while highlighting to the rest of the world that most countries in the region were now politically stable and supportive of free market policies.



Zimbabwe's President Robert Mugabe (left) meets President Mandela in Cape Town yesterday

## Contact made with Moslem kidnappers

By Alexander Nicoll,  
Asia Editor

Indian authorities have established indirect contact with the group of Moslem militants holding two Britons in Indian-held Kashmir.

Mr David Housego, a Delhi-based businessman whose 16-year-old son Kim is one of the captives, said yesterday the contact was informal and tentative. He was cautious about rumours circulating in Kashmir of their impending release.

Police believed a doctor had attended to the other captive, Mr David Mackie, 36, a video director, who had a knee injury.

"What the authorities hope is that once they begin to establish contact, they will have better idea of their location and can begin negotiations," said Mr Housego, a former New Delhi correspondent of the Financial Times who has considerable experience of Kashmir.

It seemed the captors were repeating their demand for three jailed guerrilla leaders to be freed. A note left on Tuesday had sought their release, but the Harkat-ul-Ansar militant group later issued statements saying the kidnappers aimed only to draw attention to human rights abuses in Kashmir.

Speaking by telephone from Srinagar, Mr Housego said the militants seemed likely to take their lead from groups in Pakistan and from Mr Gulbuddin Hekmatyar, the guerrilla leader who is prime minister of Afghanistan. The captors were mostly Pathans.

Mr Housego said statements by the Pakistani government and militant groups based in Pakistan, urging the release of the Britons, had helped.

Mr and Mrs Housego and their son were robbed by gunmen while trekking south-east of Srinagar on Monday. They were taken to a guest house where Mr and Mrs Mackie were held. During Monday night, their captors abducted Kim Housego and Mr Mackie.

It was thought in Srinagar that Indian troops would seek to avoid intervention by large units, which could alarm the captors into a gun-battle. Earlier this year, an Indian army officer kidnapped by Harkat-ul-Ansar was killed in a shoot-out when the Indian army attacked their hideout.

Mr Housego appealed for the help of Moslem guerrilla leaders in securing the release of the captives. "I do not see how kidnapping a boy of 16 serves the cause of Islam or of Kashmiris," he wrote in a letter to Mr Syed Salabuddin, leader of Kashmir's fundamentalist Hizb-ul Mujahideen group.

# What world donors did not know about Kenya frauds

By Leslie Crawford, James Harding and Michael Holman

When international creditors pledged \$850m to Kenya's economic recovery programme last November, they did so in the knowledge that newly-appointed reformers in the finance ministry and the central bank were committed to cleaning up Kenya's financial system. What they did not know was the scale and systematic nature of corruption at the Central Bank of Kenya.

What began in 1991 as the crude falsification of export invoices to benefit from government export incentive schemes, escalated over the next two years into a series of financial frauds, estimated to have cost Kenya \$430m, according to unpublished official estimates - equivalent to 10 per cent of the country's annual gross domestic product.

The financial irregularities drew in CBK officials, Kenyan businessmen, senior politicians and ultimately two international banks. The scams are understood to have fuelled already excessive money supply and inflation, increased the government's domestic debt, and contributed to the devaluation of the Kenyan shilling by 47 per cent in 1993.

Although the irregularities were unravelled by auditors working at the request of the International Monetary Fund, a full account of their findings was never passed on to donors. Documents obtained by the Financial Times, recent comments of Mr Mical Cheserem, the new CBK governor, and the arrest last week of a leading Kenyan businessman and state corporations.

four former CBK officials are helping to bring the details of the fraud to light.

In 1991, Goldenberg International, a Nairobi trading company, owned by Mr Kamlesh Pattni, a Kenyan businessman and also owner of Exchange Bank, was granted sole rights by the finance ministry to export diamond jewellery and gold from Kenya. The company claimed to be exporting, but there was no evidence of this in customs statistics, although it earned \$45m from the government's export incentive scheme. Kenya's auditor general noted in his 1993 report that the export compensation had been paid irregularly.

Mr Pattni and others went on to tap the CBK's pre-shipment finance facility, a source of credit so widely abused that it was closed at the insistence of the IMF in March 1993.

But there were other scams at the CBK that profited several of Kenya's commercial banks.

According to an IMF report, domestic banks obtained irregular access to CBK credit by holding large overdrafts with the CBK and persistent deficiencies in meeting statutory cash ratios.

The CBK is investigating the theft and possible forgery of some \$200m of Foreign Exchange Certificates - bearer bonds which entitled the holder to hard currency at a time when dollars were still rationed in Kenya.

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Mr Pattni's Exchange Bank defaulted on its contract by which it had obtained KSh9.5bn in April 1993 against the future repayment of \$210m.

At that time, the irregular outstanding credit at its peak was estimated to be as much as KSh24bn.

To erase liabilities incurred by the forex fraud, CBK officials devised fictitious deposits of hard currency in two UK accounts to make it look as though the CBK's foreign exchange reserves were greater than they were.

According to Mr François Vikar, communications director at Banque Indosuez in Paris, Mr S.A. Taher, former deputy chairman and chief executive officer of Exchange Bank, introduced CBK officials to Indosuez Aval, a UK subsidiary of Banque Indosuez.

In an attempt to recover some of the money the CBK has seized several of Mr Pattni's assets, including the five-star Grand Regency Hotel in the centre of Nairobi.

Last week, Mr Pattni was charged in a Nairobi court with stealing a total of KSh9.5bn from the CBK, along with four former CBK officials including Mr Kilach and Mr Wanjiha.

The full explanation of irregularities in Kenya's banking sector was shown to the IMF. International donors, including the World Bank, however, have not seen the auditors' report.

At a conference on Kenya's aid chaired by the World Bank in Paris in November, donors and lending institutions endorsed the Kenyan government reforms by ending a two-year freeze on aid with a pledge of over more than \$850m.

Indosuez Aval was "doing window-dressing". But it was "not doing hanky-panky".

The cover-up came to light, however, when the CBK was asked why it did not meet its foreign debt obligations when it had significant cash reserves abroad. The accounts were then closed.

A full chronicle of the irregularities was presented in July to reformist finance minister Musalia Mudavadi in a report prepared by an independent team lead by Price Waterhouse, the accountants. Mr Mudavadi responded to its findings by ordering the closure of Exchange Bank, Pan African Bank and Post Bank Credit. In the same week, Mr Eric Kotut, the CBK governor, resigned, but denied any wrong-doing.

In an attempt to recover some of the money the CBK has seized several of Mr Pattni's assets, including the five-star Grand Regency Hotel in the centre of Nairobi.

Last week, Mr Pattni was charged in a Nairobi court with stealing a total of KSh9.5bn from the CBK, along with four former CBK officials including Mr Kilach and Mr Wanjiha.

The full explanation of irregularities in Kenya's banking sector was shown to the IMF. International donors, including the World Bank, however, have not seen the auditors' report.

At a conference on Kenya's aid chaired by the World Bank in Paris in November, donors and lending institutions endorsed the Kenyan government reforms by ending a two-year freeze on aid with a pledge of over more than \$850m.

## NEWS IN BRIEF

### Palestinians seek emergency funds

Cash-strapped Palestinians yesterday urged international aid donors to release funds to pay for the embryonic self-government in Jericho and the Gaza Strip. Julian Ozanne reports from Jerusalem.

Mr Nabil Sha'ath, Palestinian "minister" for planning and economic co-operation, met World Bank and donors in Paris to plead for a quick cash injection, amid mounting concerns about a looming financial crisis.

Palestinians say that unless donors disburse aid within days, the Palestinian administration will be unable to meet June salaries for policemen and civil servants.

Mr Sha'ath presented the Paris meetings with a \$381m (225m) annual spending budget for the Palestinian National Authority. The Palestinians hope to raise \$204m from taxes and customs and want donors to meet the \$17m deficit.

### Turkey wins UN backing to lift Iraq sanctions

Turkey has won backing from the UN for a one-off lifting of sanctions against Baghdad, to allow the release of some 12m barrels of oil stuck in Turkey's twin pipeline to the Mediterranean, John Murray Brown writes from Istanbul.

Mr Douglas Hurd, UK foreign secretary, told his Turkish counterpart, Mr Hikmet Cetin, in Istanbul yesterday that the UN Security Council would back Turkey's proposal for the flushing of the twin pipeline, closed since sanctions were imposed on Baghdad in August 1990.

### China exports grow faster than imports

China's exports grew faster than imports in the first five months of the year, raising prospects of balanced trade this year after last year's \$12bn (280m) deficit, Tony Walker writes from Beijing.

Exports grew 24.1 per cent to May against 18.1 per cent growth in imports. Exports for the five months reached \$37.45bn and imports \$33.26bn, but customs reported faster export growth in May. China's foreign trade deficit to May reached \$1.79bn against \$2bn for the same period in 1993.

### Pakistan extends sales tax to cover more items

Pakistan last night extended an existing general sales tax to cover up to 270 items, including many consumer goods, in the country's annual budget, Farhan Bokhari reports from Islamabad. The new tax will exclude food, medicines and some clothing, but a 15 per cent tax will be applied on shoes, tyres, cement, glass and steel goods. Factories with annual turnover of Rs500,000 (24,000) must now pay the tax before goods are sold to retailers.

### Implications of OECD JOBS STUDY

Conference on Full Employment in Europe

John Dilevyn, Head, Private Office of Secretary-General of OECD Jobs Study report

Robbie Gilbert, Director, Employment Affairs, CBI

Agon Scott, National EU Coordinator, TGWU

Werner Hermann, DG V, European Commission

Robert Lindley, Director, Institute for Employment Research

Stephen Smith, Deputy Director, Institute for Fiscal Studies

Penelope Meadows, Director, Policy Studies Institute

Andrew Goudie, Senior Economic Adviser, Scottish Office

Auri Vogler-Lauwig, Head of Department, IFO, Munich

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## NEWS: INTERNATIONAL

# Keating 'tried to influence Fairfax press'

By Nikki Tait in Sydney



Keating: trigger-points

An Australian parliamentary inquiry has found Mr Paul Keating, the country's prime minister, attempted "improperly to influence the political coverage of Fairfax newspapers" by offering Mr Conrad Black, the Canadian media tycoon, "the prospect of increased investment in Fairfax in return for balanced coverage".

It also put forward some strong recommendations regarding the country's Foreign Investment Review Board, which decides whether foreign investment is contrary to the national interest, and the guidelines to which FIRB works.

In particular, it has accused FIRB of being "excessively secretive" and unaccountable, and recommended it be replaced by a new statutory authority, responsible for administering foreign investment policies in "non-key" industry sectors.

In sectors such as the media, the responsibility would fall directly to the Treasurer, who would make decisions on "national interest" grounds, but be required to publish the reasoning for each decision. The Senate committee was set up last year to study circumstances surrounding Mr Black's acquisition of Fairfax in 1991. Fairfax publishes three of Australia's top daily papers: the Sydney Morning Herald, Melbourne Age and Financial Review.

The company had gone into receivership, triggering a battle for its ownership. This was won by Mr Black's Tournage consortium, though his British-based Telegraph group's holding was initially pegged at 15 per cent. This was lifted to 25 per cent after the 1993 election, which Mr Keating's Labor Party won.

The trigger-points for the inquiry were a disclosure in Mr Black's autobiography that, before the election, Mr Keating said an increase in the Tele-

# Japan's past precedes emperor's US visit

Ambiguity over war record surrounds imperial tour, writes William Dawkins

Emperor Akihito of Japan starts his first imperial visit to the US today with a mixture of friendship and sad wartime memories on his mind.

The emperor's 17-day tour will end with a poignant reminder of Japan's ambiguous feelings over its wartime record. In this there is a parallel with Germany's uncomfortable complexes over the recent D-Day landing celebrations. For Japan the equivalent will come under the spotlight next year, the 50th anniversary of the end of the Pacific war.

As the Normandy surf erases the tracks of Europe's D-Day celebrations, Emperor Akihito will stop in Hawaii on his way home to lay a wreath at the US national memorial cemetery of the Pacific, the Punch Bowl.

The emperor's gesture, to the sadness of some in Washington, falls short of the Japanese government's original plan for him to visit the USA's Arizona memorial in Pearl Harbour, a battleship sunk by the Japanese attack on December 7, 1941. That idea was dropped because of fierce objections from Japanese right-wing politicians and commentators, many of whom believe the 1941 attack was unavoidable, maybe even justified.

Officially, the emperor is so mystically elevated that he must get less involved in temporal affairs than his high profile.

Yesterday, Mr Michael Lavarch, Australia's attorney-general, and one of the small number of senior government figures not overseas at present, also claimed that its conclusions were flawed.

"The finding against the prime minister appears to be based on a jaundiced view of one remark," he said. Mr Keating had declined to appear before the committee. The majority and minority reports suggested changes to foreign investment decisions, to make the process more open, though the latter favoured retaining FIRB. The findings are unlikely to have direct political consequences for Mr Keating.

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Akihito plants rice: annual temporal duty for mystical figure

It is not mystical, he will no longer be eternal," he argues.

The emperor has in the first

five years of his reign worked

hard to contribute, as a globe-trotting ambassador, to Japan's temporal interests. He has already visited the US twice in his official capacity as Crown Prince. His father made the trip once.

Two years ago, Emperor Akihito became the first Japanese emperor to visit China, so helping to clear the way for closer economic and diplomatic links. At the time, he pleased the Chinese government by saying he "deeply deplored" the suffering caused during the Japanese occupation. He stopped short of apologising.

Earlier this year, Emperor Akihito and Empress Michiko paid the first imperial visit to the war memorial of Iwo Jima, a small Pacific island where many thousands of US and Japanese were killed. He carefully referred, at the time, to the dead of both sides.

Akihito hopes that the US visit will, as the one to China did, bring closer ties. Of course he refrains from noting that his US tour is most timely, just as a growing number of senior Tokyo government officials are getting anxious that the strain in trade relations might spill over into political and security relations.

Accordingly, the imperial couple have accepted a punishing schedule, including 11 cities, starting in Atlanta today. They proceed to Washington tomorrow, where they will be the guests of honour on Monday at the first full state dinner of Bill Clinton's presidency, a protocol compliment that will not be lost on Japan's humble emperor.

# China stands firm against N Korean sanctions

By Tony Walker in Beijing and Reuter in Kiev

China yesterday again rejected efforts by South Korea to persuade it to support sanctions against the north because of Pyongyang's refusal to open its nuclear sites to inspection.

At the same time Mr Kim Yong-nam, North Korea's foreign minister, threatened the south with devastation if war broke out between the two countries.

"They should remember that if they

United States as to sanctions and finally start a war, then in the end South Korea will be devastated," Mr Kim told Reuters at the end of a visit to Ukraine. "We have the strength to protect ourselves from sanctions and it is unbelievably powerful... I would like to peacefully advise those who want to start a war in Korea," he said. In Beijing, Mr Shen Guofang, Chinese Foreign Ministry spokesman, said "sanctions would only serve to push the opposing sides into confrontation with one another and result in a situation no one would like to see".

The foreign ministry official was speaking just hours after Mr Han Sung-joo, South Korea's foreign minister, visited Beijing seeking Chinese co-operation in a sanctions threat against Pyongyang.

China, as a permanent member of the United Nations Security Council, has veto power over a sanctions resolution. Beijing is arguing more time is needed for dialogue, but recognises that time is running short.

China has been sending mixed signals on the North Korean issue. At

Kong newspaper raised the spectre of sanctions in a prominent article unlikely to have been published without official encouragement.

But in Beijing this week, Chinese officials have been at pains to emphasise the importance of relations with Pyongyang. President Jiang Zemin told the visiting North Korean Chief of Army General Staff that strengthening Sino-Korean relations was China's "firm policy".

Western officials say China is engaged in a delicate manoeuvre aimed at defusing the crisis over

North Korea's apparent diversion of weapons-grade plutonium and preserving its relationship with its neighbour and Korean-war partner.

The US, supported by South Korea and Japan, plans to ask the Security Council to approve a programme of phased sanctions to force North Korea to comply with international demands for access to its reactors and waste storage areas.

Beijing fears sanctions would further isolate North Korea and make its reclusive regime even less predictable.

Two thirds of the globe is covered by water.

The rest is covered by The Economist.

Call for  
Bank o

# Call for independent Bank of England

By Philip Coggan,  
Economics Correspondent

The incoming deputy managing director of the International Monetary Fund, Mr Stanley Fischer, has called for the Bank of England to be given independence.

In a paper prepared for the Bank's tercentenary, Mr Fischer concludes: "On her 300th birthday, it is time for the Old Lady of Threadneedle Street, the bank, to be allowed to take on the responsibilities of independence." Last month, it was announced that Mr Fischer, an economist at the Massachusetts Institute of Technology, would replace Mr Richard Erib as the IMF's deputy managing director.

In a long paper, Mr Fischer points to empirical studies which have shown that countries with independent central banks have been more successful at controlling inflation. "The relationship between inflation and central bank independence is attributable mainly to the central bank's ability to use its policy instruments freely and to the presence of a price stability goal."

Mr Fischer suggests that the Bank's mandate should be to achieve price stability "by which is meant a low - 1 per cent to 3 per cent - average rate of inflation". Qualifications to the mandate should be included to allow the Bank to take account of the short-term trade-off between inflation and unemployment.

The Bank governor should be made responsible for meeting the targets and should testify in public twice a year to a House of Commons committee, Mr Fischer argues that the



John Major described inflation as "a form of theft practised by government on the people" yesterday at a symposium to celebrate the Bank of England's 300th anniversary. Eddie George, governor of the Bank, (left) was bolstered by a report arguing for the Bank to be given independence

Photograph: Anthony Adcock

government should have the right to overrule the Bank, but only by a public directive, along the lines of the Canadian system. However, such a public move might lead to the governor's resignation.

Proposals to make the Bank of England independent have been backed by former chancellors, Mr Nigel, now Lord

Lawson and Mr Norman Lamont.

Mr Eddie George, governor of the Bank of England, has argued that granting independence to the Bank would be the most likely way of achieving long-term sustainable growth with low inflation, but this could only happen if there was a public consensus on the need for independence.

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## Industry chief warns on wage inflation

By Lisa Wood,  
Labour Staff

One of the most strongly worded warnings about the potential danger to recovery from wage inflation was delivered yesterday by Sir Bryan Nicholson, president of the Confederation of British Industry employers' association.

"We have a bleak history of making competitive gains and then throwing them away needlessly. I am determined that this time, we shall not snatch defeat from the jaws of victory," he told West Midlands businessmen.

Sir Bryan highlighted sustainable non-inflationary growth as one of the three major priorities during his two-year term as CBI president. Others were improving the competitiveness of industry and the creation of a deregulated business-friendly Europe. He singled out the City as needing particular restraint over inflationary pay deals.

Recent labour market statistics had disturbed his peace of mind. "Thanks to growth in average earnings in manufacturing of 4.75 per cent over the year to March and slower productivity growth of just 2.6 per cent, unit labour costs in manufacturing are increasing again at two per cent a year. That would have been a very respectable performance just a few years ago."

"But our competitors have re-grouped and are achieving better results which we must match. Unit labour costs are now falling by 3 per cent a year in Germany and 3 per cent in the US."

## Mass-market route for cruises

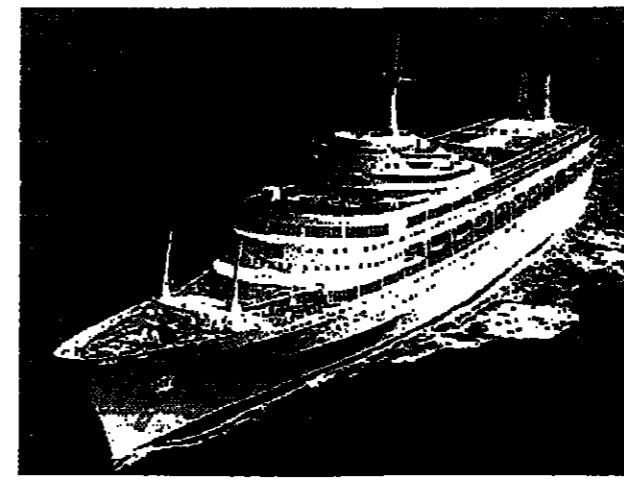
By Michael Stimpson, Leisure Industries Correspondent

The cruise industry, a traditional preserve of the rich and retired, yesterday declared itself open to the mass market when P&O Cruises cut its 1995 prices - in some cases to below their 1989 levels.

Next Wednesday, Airtours, the determinedly mass-market package tour operator, announces plans for its first cruise ship which will begin sailing in 1995. Airtours yesterday pledged to "revolutionise the market" with its prices. Mr Hugh Collinson, managing director, said: "You've seen nothing yet. This is a different end of the market to where cruising has been before."

P&O says the UK cruise market is growing at twice the rate of the overall foreign holiday market. Mr David Dingle, P&O Cruises marketing director, forecasts the number of UK cruise customers will grow from the current 250,000 a year to 700,000 by the year 2000.

P&O's price reductions have



The Canberra: P&O will be offering cruises at pre-1989 prices

been made possible by the planned launch next April of Oriana, its new £300m cruise liner, which is being built in Germany. The introduction of the Oriana, which will carry nearly 2,000 passengers, will allow P&O to offer cheaper cruises on its older ships, the Canberra and the Sea Princess.

The Canberra will offer nine-

day cruises next year from £375 - £10 cheaper than in 1989. A 12-day Mediterranean cruise for two adults and two teenagers will cost £2,377, which is £640 cheaper than this year.

Airtours announced last April that it was buying a 752-berth ship from Closter Cruise of Norway for £16m, including refurbishment costs. The ship

will offer Mediterranean and Canary Island cruises.

Mr Dingle said P&O's price reductions were planned before Airtours announced its purchase. He said P&O welcomed Airtours' cruising debut. "What Airtours are good at is talking to a slightly younger, more down-market group of customers. They will put cruising in people's minds," Mr Collinson countered. "I don't think we should confuse the new cruise market with a poor, down-beat product."

The cruise industry says the traditional view of cruising as being over-priced and for the elderly is already out of date. But Mr Peter Shanks, commercial director of Thomas Cook, which claims to be the UK's biggest cruise retailer, said he has customers who have been booking the same cabin on the Canberra for 25 years.

Mr Shanks said that the UK market had enormous scope for growth. Cruises represent only 2.7 per cent of overseas holidays from the UK. In the US, the figure is 60 per cent.

## Channel rail link shortlist soon

By Andrew Taylor,  
Construction Correspondent

The names of the consortia shortlisted to bid for the £2.7bn high-speed rail link between London and the Channel tunnel are expected to be announced in the next few days.

Officials yesterday were still negotiating over the membership of some of the consortia but the chosen bids, barring any last minute hitches, are expected to include:

• EuroRail, the only all-British bid involving a joint venture

between BICC, Trafalgar House and GEC. The bid is supported by bankers NatWest and HongKong and Shanghai Banking Corporation.

• London & Continental Railways involving UK consulting engineers Ove Arup and Sir William Halcrow, Bechtel, the large US construction group, Sofrera, French consultants, National Express the UK coach company and UK cement company Blue Circle.

• A consortium led by Hochtief, a German construction group, includes Tarsit, a UK construction and engineering group; Nishimatsu Construction of Japan, Siemens and Westinghouse, the large US engineering group.

It was unclear last night whether a fourth consortium involving UK construction companies John Mowlem and Taylor Woodrow and Philipp Holzmann a German construction company would also be included on the shortlist. This consortium includes Tarsit, a UK construction and engineering group.

The contract to build and run the 68-mile link will combine private and public-sector finance under the government's private finance initiative.

The contract is expected to be awarded early next year. The size of the public sector contribution is likely to be an important factor in determining the winning bid.

The scale of the contract, together with the lack of domestic expertise in operating privately financed large transport systems, has attracted wide international interest in the project.

## Britain in brief



### Home Office accused over asylum-seekers

The Home Office has been accused of covering up injuries sustained by detainees during a riot at a detention centre for people seeking political asylum last Sunday night.

The Oxford-based Campaign to Close Campfield (the centre near Oxford) said it had evidence to show that "at least eight people" were removed in four ambulances plus an "unknown number" in three more. The Home Office said only four people were injured. After the riot the government said the trouble had been stirred by demonstrators outside the fence.

Mr Bill MacKeith, president of Oxford Trade Union Council, said the riot had been provoked by "the removal, without warning or justification" of an Algerian citizen for summary deportation the next day from Gatwick.

### Tax office errors soar

Half a million UK taxpayers received incorrect assessments because of Inland Revenue errors last year, according to a highly critical National Audit Office report.

Ten per cent of self-employed and 7 per cent of those who use the pay-as-you-earn system were the victim of Inland Revenue miscalculations, the findings revealed. The also highlighted that the Revenue was failing to meet its own published targets to reply to taxpayers' queries within 28 days.

The disclosure comes as taxpayers are preparing to submit annual tax returns, which must be completed by the end of October to avoid incurring penalties.

The report shows that about 3.2m of the 5m income tax payers who receive assessments have the demand revised at least once each year because the Revenue is attempting to levy too much tax. The report notes that errors are as likely to be discovered by taxpayers or their advisers as they are by Revenue officials.

### BBC threatens action on strike

The BBC has decided to take disciplinary action against staff if programmes continue to be disrupted by strikes next week. The corporation said it would also run a management-led broadcasting service with the possible

### Industrial research boost

University research which is directly relevant to commerce and industry is to receive more funding, under new government plans.

The dispute is over the introduction of new performance-related pay proposals and an element of decentralised bargaining on conditions at the BBC. Unions will announce today how they plan to disrupt Sunday's broadcasts.

If Sunday's dispute goes ahead then all BBC staff will receive a letter at home on Monday morning warning them that the management will start suspending staff if further action is taken. Such action is currently planned for next Tuesday and Friday.

### Performance pay resisted

Two of the most powerful health service unions will meet next week to discuss a joint campaign against the introduction of performance-related pay, the annual consultants' conference of the British Medical Association was told yesterday.

The BMA, which represents 80,000 doctors and surgeons, will join the 300,000-strong Royal College of Nursing in opposing the plans, which the BMA said were "so dangerous that it is our duty to strongly resist them".

### Easing of drug laws ruled out

Mr Michael Howard has ruled out the legalisation of any banned drug on the grounds that such a move would lead to a rise in addiction.

The home secretary told a police conference that the maintenance of international solidarity against drug misuse was vital. He also ruled out the decriminalisation of drugs.

To not enforce certain laws while leaving them on the statute book risks bringing the whole of the criminal law into disrepute," he said.

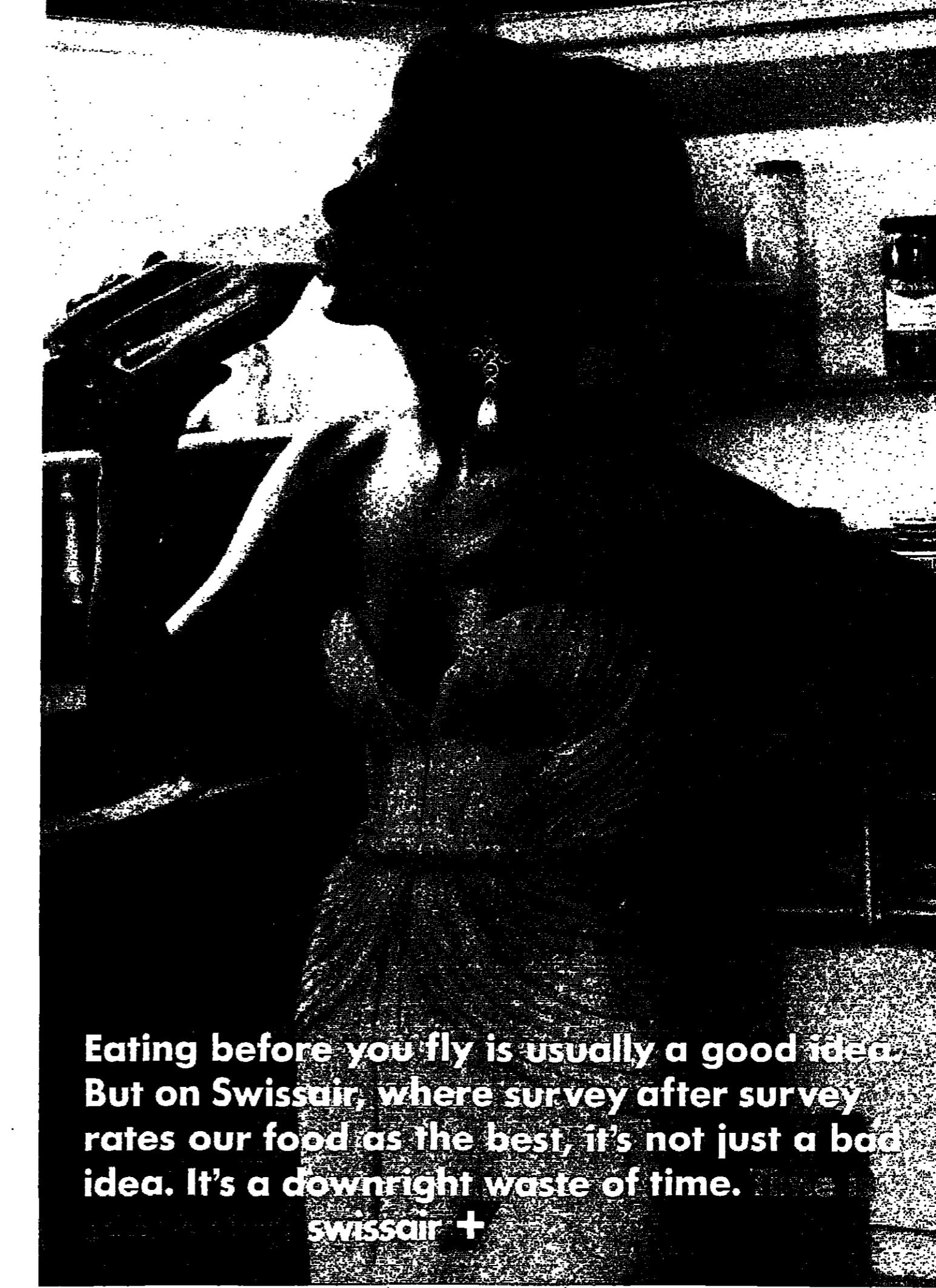
His remarks came just a day after both Mr Raymond Kendall, secretary general of Interpol, and Mr Keith Hellawell, chief constable of West Yorkshire police, backed decriminalisation as a means of tackling the drug problem.

### Record for French ewers

A pair of Louis XVI ormolu-mounted Chinese porcelain ewers supplied to Marie-Antoinette for the Cabinet Intérieur de la Reine at Versailles fetched \$1,045,500 at Christie's yesterday, a record for any French decorative work of art. The auction of French art raised a total of \$2,143,420 with 96 per cent sold.

The UK headquarters of Touche Ross, the accountancy firm, has been sold by Postel, the UK's largest pension fund, to Despa Fonds, a German fund for £65.7m, reflecting an initial yield of 7.8 per cent. The acquisition of the 170,000 sq ft Hill House in the City of London is the first overseas purchase by Despa Fonds, which is one of the largest German investment funds.

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## TECHNOLOGY

**F**lying conditions around Seattle were far from ideal on the last day of May. The area was blanketed with snow and a strong wind was gusting as the pilot lined up his Boeing 777 for a tricky landing at the aircraft maker's airfield on the outskirts of the city.

The aircraft descended steadily towards the parallel beads of runway lights blinking in the distance. But just before touchdown, green-grey patches of ice became visible on the tarmac. Some of the aircraft's tyres failed to grip the surface. The nose lurched from side to side as the pilot struggled to bring the aircraft to an unsteady stop.

This story has some obvious flaws. The chances of finding snow in Seattle on May 31 are almost zero. What is more, the twin-engined Boeing 777 has yet to fly. Its maiden flight is expected to take place within the next few days, with customer deliveries due to start only in May 1995. But Boeing's test-pilots have been noticing up flying hours on the 777 for the past six months thanks to a simulator at CAE Electronics' factory in Montreal.

Without leaving the ground, the pilots have flown in and out of airports around the world, experiencing the sights, sounds and turbulence of snowstorms, thunderstorms, air pockets and almost every other flying condition.

CAE Electronics, a division of CAE of Toronto, claims a 50 per cent share of the world market for aircraft simulators, including 10 of the 13 orders placed so far for Boeing 777 devices. The other three 777 orders have gone to CAE's main rival, Rediffusion, a UK-based division of Thomson, the French electronics group.

Like the aircraft they reproduce, simulators have grown increasingly sophisticated. Pilots' experience on a simulator now helps decide which systems and instruments are installed in a new aircraft. "We

increasingly sophisticated aircraft simulators are becoming more like the real thing, reports Bernard Simon

## Flights of fancy put safety first



Happy landings: pilots use CAE Electronics' Boeing 777 flight simulator to arrive at and depart from the world's airports without leaving the ground

fly our simulators before Boeing flies its planes," says Adrian Gale, CAE Electronics' marketing director. "We'll pick up bugs on an avionics sweep before Boeing does."

But the technological advances have one drawback: as the simulator experience gets closer to the real thing, so does its price. One of CAE's full-flight simulators currently costs about C\$1m (£720k) to

full-fight simulators, which look like windowless space capsules, do much more than reproduce an aircraft's cockpit and instruments. Hydraulically-powered struts which form the base of the simulator can propel the bulbous module in six directions, including a pitch and roll of up to 30°.

Simulator makers go to extraordinary lengths to make flights in the computer-generated visual systems which project images of airports, landmarks, scenery and weather conditions likely to be encountered during a flight.

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The latest version of CAE's Maxvue visual system, installed in the 777, has five separate channels giving a

total horizontal field of vision of 210° and a vertical field of 40°. The pilot and co-pilot can thus see true-to-life images out of all the cockpit windows. When taxiing, for instance, they can see another aircraft approaching from the side. The vertical view allows them to see slightly above and below the plane, which is especially useful in banking manoeuvres. CAE has fitted its helicopter simulators with two extra channels to give a straight-down view.

CAE has developed visual-system databases for almost 40 airports around the world. Each one, taking up 5 gigabytes of disk storage, reproduces the topography and landmarks within a 15-mile radius of the airport and, in much greater detail, its runways and terminal buildings.

The database is compiled from digitised satellite and aerial photos and maps. These are augmented with on-the-spot observations by the software experts who design the system and suggestions from the pilots who will use it. Few details have been forgotten. The wind sock at the end of the runway in Hong Kong blows in the same direction as the wind registered on the cockpit instruments. The rotors of a hovering helicopter churn up the sea below.

But computer-generated scenery has its limitations. CAE has yet to master three-dimensional imaging, and the sharpness of the pictures does not match the human eye. Although the number of polygons (or shapes) which can be fitted on each channel has jumped from 1,000 to about 5,500 in the past three or four years, this is still not enough to cover every detail.

Customers thus have to make choices. The criterion, often a subjective one, is what is of most importance to the human eye. Although the number of polygons (or shapes) which can be fitted on each channel has jumped from 1,000 to about 5,500 in the past three or four years, this is still not enough to cover every detail.

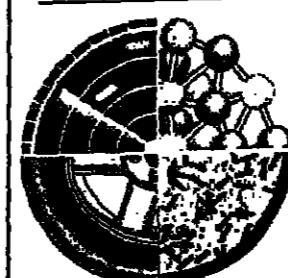
The biggest advance in recent years, however, has been in the computer-generated visual systems which project images of airports, landmarks, scenery and weather conditions likely to be encountered during a flight.

The latest version of CAE's

Maxvue visual system, installed in the 777, has five

separate channels giving a

### Worth Watching · Clive Cookson



#### Rich pickings in rare elements

Rare earth elements have always been at the obscure end of the chemicals industry. They are expensive to produce and have few discernible large-scale applications. But French company Rhône-Poulenc, which has long championed their use, has developed a rare earth compound, cerium sulphide, as a pigment for plastics. Daniel Green writes.

The three-year development programme was aimed at finding an alternative to cadmium sulphide, which is tainted by concerns over the toxicity of cadmium. The company is using cerium because the sulphide, like that for cadmium, is red. In various mixtures it can be made to show a variety of shades from orange to crimson.

*Rhône-Poulenc: France, 147 68 10 74.*

#### Low prices for colour LCDs

Buyers of notebook computers now expect colour liquid crystal displays. The leading technology - active Thin Film Transistor (TFT) - gives excellent

performance but at a high price: TFT displays cost at least \$1,200 (2300) each, even when ordered in large numbers. Electronics

companies are therefore racing to develop cheaper LCDs without sacrificing too much contrast and speed.

Hitachi of Japan has a range of new displays, based on the passive Super Twisted Nematic technology used conventionally for monochrome LCDs. Their contrast ratio is only 25:1, compared with almost 100:1 for TFT, and their response time is 0.27 sec rather than 0.05 sec. But the company says this performance is more than adequate for applications where a low price is paramount. Hitachi's new displays cost about \$800 each for bulk orders.

*Hitachi: Japan, 03 3212 1111.*

#### Consensus at the Science Museum

The general public normally plays little part in the development of science and technology policy. In an attempt to show that lay people can become more involved, the Science

Museum in London is organising a Consensus Conference, in which a panel of non-scientists will produce a report on the future of plant biotechnology.

Over the next two months, the museum will select 16 people with the widest possible range of professional and social

backgrounds, by advertising through local newspapers and radio stations. The panel will meet over two weekends, to define the issues and debate the risks and benefits of using plants in new ways in agriculture, food, industry and medicine. Then, at the conference itself in November, it will cross-question expert witnesses and hold a public debate, before preparing the final Consensus Report.

The concept of a lay consensus conference originated in the US and has been developed further in the Netherlands and Denmark. The Biotechnology and Biological Sciences Research Council, which is funding the Science Museum conference, says it will be the first UK example.

*Science Museum: UK, 071 933 8241.*

## Census on CD-Rom

To those who fill out the forms, censuses are a chore. To those processing the information, they are a rich source of information about how people live and work.

But to commercial users of the data, the 10-yearly census counts can be an aid to higher profits and lower costs. Supermarkets can work out where to put new branches, companies can assess which areas should produce the best response to direct marketing campaigns and public authorities can decide where to site hospitals, old people's homes or council housing.

"It's a big market place," says Susan Squires, product development director of Capscan, a London-based company specialising in address and census data. Advances in computer power mean census data can now be used more comprehensively and rapidly than before.

Next week, Capscan launches a CD-Rom containing all the 1991 statistics, broken down into about 150,000 small areas (each containing 200 households).

By compressing the data, Capscan can make available this information which was stored on 200 magnetic tapes. It takes account of 9,000 variables, derived from cross-referencing answers to questions on such matters as accommodation, family, cars and occupational status; they show how

each area breaks down demographically.

The data excludes names, addresses or incomes, and the published information is altered minutely to prevent identification. Even so, it is a potential gold-mine for businesses wanting to know more about their market place. Capscan's CD-Rom, called Census, allows users to obtain easy access to this data on desktop computers and link it to maps and postcodes.

"Our objective is to demystify access to the census," says Squires. The CD costs £2,000 but Capscan charges extra for data beyond the first of its three access levels.

*Andrew Fisher*

Over the last 89 years BEN — Motor and Allied Trades Benevolent Fund has cared for tens of thousands of people. Not just direct employees and pensioners of our industry, but their dependants too, young and old alike.

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If you would like more news about BEN, please call us on 0344 20191.

## Time for this little elephant to blow its own trumpet



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## MANAGEMENT

Politicians show the public to be hypocritical and contradictory in their opinions.

In that possibly portentous BBC mini-saga *To Play the King*, the fictional Prime Minister's rather-too-savvy "adviser" pointed out that by subtle wording of opinion-poll questions, one could always obtain the results one wanted.

Managers increasingly commission climate and culture surveys that require employees to agree or disagree with various statements about their perception of the company. Can these questions be skilfully worded to give the answers they want to hear? And how do employees react when they can "see through" the motives of the questionnaire and don't agree with its point of view?

Consider opinion polls about tax. Almost everyone believes they are being overtaxed, but at the same time everyone wants more money spent on health, education and crime prevention.

One could argue that these ideas are not incompatible. For instance, the government could increase indirect taxation as opposed to income tax, to raise revenue while leaving people more discretion to spend as they wish.

Or one could argue that "the rich" should be heavily taxed, but not oneself. This

Catch-phrases are the best clue to what people really think, says Adrian Furnham

## A better type of opinion survey

its central core, adopting a familiar catch-phrase to represent the issue, and reserving all evaluation for the response alternatives. The formula "X is a good/bad thing considering Y and Z" (agree or disagree?) was replaced by the simpler formula: "X (good or bad)?" This, they believed, would tap immediate emotional reactions to controversial issues, and would be closer to actual behavioural dispositions.

The technique is to abandon the propositional form of an item,

### The writing of opinion items is highly political and not good science

and instead simply present a list of brief labels or "catch-phrases" representing various familiar and controversial issues.

It is assumed that, in the course of previous conversation and argument concerning these issues, the respondent has already placed himself/herself in relation to the general population, and is able to indicate his/her "position" immediately and simply.

It is easy to demonstrate. Ask a group to write 5,000-word essays on capital punishment and have two judges to assess whether they are, on balance, "for" "uncertain", or "against". And ask the essay-writer also to complete the catch-phrase poll. The results are nearly identical, saving time and effort in the lengthier approach.

The writing of opinion items, then, is itself highly political and it is not good science. So some psychologists have cast doubt on other approaches. One solution was to reduce the item down to

of opinion: the latter is believed to tap immediate emotional reactions to controversial issues and is closer to actual behaviour dispositions.

Furthermore, this technique overcomes many of the problems of grammatical confusion and social desirability. Why not try it and see? I have constructed a simple economic beliefs scale.

Which of the following do you favour or believe in? Circle Yes or No. If absolutely uncertain, circle the question mark. There are no right or wrong answers. Do not discuss them; just give your first reaction.

- 1 Nationalisation YES NO ?
- 2 Self-sufficiency YES NO ?
- 3 Socialism YES NO ?
- 4 Free market YES NO ?
- 5 Trade unions YES NO ?
- 6 Saving YES NO ?
- 7 Closed shops YES NO ?
- 8 Monetarism YES NO ?
- 9 Import controls YES NO ?
- 10 Privatisation YES NO ?
- 11 Strikes YES NO ?
- 12 Informal black economy YES NO ?
- 13 Inheritance tax YES NO ?
- 14 Insurance schemes YES NO ?
- 15 Council housing YES NO ?
- 16 Private schools YES NO ?
- 17 Child benefits YES NO ?
- 18 Profit YES NO ?
- 19 Wealth tax YES NO ?
- 20 Public spending cuts YES NO ?

Scoring:  
Odd items score Yes (3) ? (2) No (1)  
Even items score Yes (1) ? (2) No (3)

Score 51 to 70 - you are what my father would call a "dangerous fascist".  
Score 20 to 30 - you are what my students would call an "economic fascist".

Score 31 to 40 - you are probably a member of the entrepreneurial neo-right.  
Score 41 to 50 - you are probably a supporter of the new post-Kilmarnock Labour party.

Pedants, pollsters and politicians would probably object to this method. But pundits and the public would welcome it because of its simplicity. Opinion polling is not "rocket-science", but it is a lot better than reading the tea-leaves, or worse, horoscopes. They do have their uses and much of the media are addicted to them. The catch-phrase method may indeed be superior to and simpler than our more established methods.

The author is professor of psychology at University College London.

*By the time the Americans, British and French arrived in Berlin in July 1945, more than 90 per cent of Berlin's heavy industry had been spirited away to Russia. Ironically, this eventually worked in favour of west Berlin's industries when they came to start up again, they all had to be re-equipped with modern, brand-new machinery.*

- Anthony Read and David Fisher.

**N**early 50 years later, eastern Germany is going through a similar experience. But, in place of the devastation of war, investors face an uncompetitive and often obsolete industrial base, whose markets were dependent on eastern Germany and the former Soviet Union.

The chemicals group BASF,



Rapid transformation: Jenoptik's original plant in the south of old east Germany and (right) its rebuilt headquarters

# Fresh beginning beyond the Elbe

Judy Dempsey examines the methods used by three companies investing in eastern Germany

would normally have taken about 18 months in west Germany," says Marc Vogel, BASF's spokesman at Schwarzeide.

By early this year, BASF had already invested DM600m, of which DM200m was spent installing several new production lines. These included a water-borne coatings line, a non-solvent product spread over paint used primarily by the car industry.

Nearly four years since acquiring Schwarzeide, Dehmel reflects on the decision to invest in eastern Germany. "I think productivity is still too low," he says. On some lines productivity is about 60 per cent of west German levels, partly because of the recession, and also because BASF is committed to employing 2,150 full-time staff, 300 apprentices and 1,000 subcontractors. Officials at the plant reckon they need just 2,150.

At Jena, before 1990, 30,000 people worked in the Carl Zeiss plant, which had run up losses of more than DM1bn. Today, the Jenoptik workforce has been cut to 1,250 employees after a programme of early retirement, redundancy payments, and financial support for would-be small entrepreneurs.

In the past two years Uwe Reinhart, a consultant from Hanover

and now manager of Jenoptik, has transformed the company from an outdated defence-based enterprise to one based on four production lines. These include a microfabrication division, providing high-performance equipment for microsystems engineering and semiconductor fabrication, medical engineering, environmental engineering, and automation engineering, which provides optical equipment for quality control and inspection.

Reinhart then set about providing self-contained and small micro-chip units to companies that do not have their own chip production facilities.

**S**iemens, meanwhile, need no introduction to eastern Germany. Since unification, it has set up 11 production plants and service facilities, employing more than 16,000 people throughout the five eastern states.

But it wanted production and research under one roof. Eastern Germany's capacity and reservoir of skilled electronic engineers made it a suitable location.

Last December the company announced its decision to invest DM2.4bn in building a microchip factory in Dresden on a greenfield site. Scheduled to be on line by 1996, it will manufacture 64-megabit

and 256-megabit memory chips. Volkhart Matthaeus, finance director of Siemens' semiconductor group, says there was a need to establish a core development centre in Germany itself. "Through this operation in Dresden, we will be able to carry out joint research projects [with other companies], some of which will be funded by the German government," he explains.

Siemens could have gone to eastern Europe, or south-east Asia, where labour costs are cheaper. But Matthaeus says the company chose the eastern German route for several reasons. "In eastern Europe, you need investment partners, regional funding, and an environment in which your partners are prepared to invest with you. These conditions, at least for us, do not exist," he explains. That view is shared by BASF and Jenoptik.

As for south-east Asia, there are some logistical disadvantages. "Any product re-imported by us into the European Union incurs a 14 per cent tax. That's a significant amount. Also, the computer industry costs money. You can find cheaper labour in the region but you have to build an infrastructure in a quality-minded environment," he adds.

## BUSINESSES FOR SALE

### Eastern Counties Farmers plc

The Joint Administrative Receivers offer for sale as going concerns the businesses and assets of Eastern Counties Farmers plc and A.B. (Handling) Limited comprising:

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#### ■ OTHER ASSETS

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For further information contact the Joint Administrative Receiver, Howard Evans, KPMG Peat Marwick, 37 Hills Road, Cambridge CB2 1XL. Tel: 0223 66692, Fax: 0223 460701.

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(attention: Mr. Claudio Wieland).

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#### LEGAL NOTICES

No. 00284 of 1994

IN THE HIGH COURT OF JUSTICE IN ENGLAND CHANCERY DIVISION

IN THE MATTER OF NIG VICTORY REINSURANCE LIMITED

and

IN THE MATTER OF EMPLOYERS REASSURANCE LIMITED

and

IN THE MATTER OF THE INSURANCE COMPANIES ACT 1982

NOTICE IS HEREBY GIVEN that a Petition was on the 24th day of May 1994 presented to Her Majesty's High Court of Justice by the above named NIG Victory Reinsurance Limited (hereinafter called "NIG").

Principal features of the business include:

1. well established trademarks/brands include Waverley and Rhapsody
2. freehold property approx 51,000 sq ft in 3.1 acres
3. strong customer base
4. excellent product range in gift and stationery market
5. projected turnover in 1994 of £1.5m.

For information and an appointment to view, contact Ian Ronkin or Derek Forsyth of Coopers & Lybrand, Kynren House, 208 West George Street, Glasgow G2 2LW. Telephone: (041) 248 2844.

The John Receivers, Frank Bill and Ian Ronkin of Coopers & Lybrand, Glasgow, offer for sale the business and assets of this well known stationery company.

Principal features of the business include:

1. well established trademarks/brands include Waverley and Rhapsody
2. freehold property approx 51,000 sq ft in 3.1 acres
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4. excellent product range in gift and stationery market
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4. excellent product range in gift and stationery market
5. projected turnover in 1994 of £1.5m.

For information and an appointment to view, contact Ian

## BUSINESSES FOR SALE

## STATE PROPERTY AGENCY

## CALL FOR TENDERS

The State Property Agency announces a one-round, public tender to sell the state-owned shares in the INVESTOR Holding Részvénnytársaság (INVESTOR Holding Co. Ltd.).

We inform the interested parties that the issued capital of the INVESTOR Holding Rt. is HUF 2,925,000,000, of which the Caller will sell 23 per cent. Bids can be submitted for a block of shares in the par value of HUF 672,000,000 which represents 23 per cent of the issued capital.

The block of shares can be purchased for cash, compensation notes and using E-credit.

The bids have to be forwarded to the given address in five copies in a sealed envelope without naming the sender and with the original copy indicated.

The bidders have to undertake to keep their bids valid for 90 days.

The deadline of submitting the bids is July 27, 1994, from 12.00 to 14.00.

The bids have to be submitted at the State Property Agency, room 804. (1133 Budapest, Pozsonyi út 56.).

The State Property Agency reserves the right to qualify the tender as invalid.

The condition of submitting the bids is the purchase of the tender material, which also includes the detailed Call for Tenders, for HUF 30,000, at the Secretariat of the Directorate of the INVESTOR Holding Rt. (Budapest, XIII. Pannónia u. 11.) or at the Customer Service Office of the State Property Agency (Budapest, XIII. Pozsonyi út 56.), on working days, after signing a statement of secrecy.

Further information is available at the INVESTOR Holding Rt., at the Secretariat of dr. Gábor Boér, deputy general director (Budapest XIII. Pannónia u. 11.), phone: 36/1/-112-9460, -132-6770, -132-9560.

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## LEGAL NOTICES

NO. 603577 OF 1994

IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION

IN THE MATTER OF  
CREDIT LYONNAIS  
INVESTMENTS LIMITED

IN THE MATTER OF  
THE COMPANIES ACT 1985

NOTICE OF PETITION GIVEN that a Petition was presented in Her Majesty's High Court of Justice, Chancery Division on 29 May 1994 for the confirmation of the reduction of the share capital of the above named company by 50%.

AND NOTICE is further given that the said Petition is directed to be heard before

Mr Registrar Beckley at the Royal Courts of Justice, Strand, London WC2A 2EL on

Wednesday the 22nd day of June 1994.

Any Creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of the share capital should appear at the time of the hearing or person or by proxy for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the Registrar on payment of the Registered Charge for the same.

Dated the 10th day of June 1994

CLIFFORD CHANCE  
200 Aldergate Street  
London EC1A 4JU

Ref RWC  
Solicitors to the Company

IN THE MATTER OF  
VECON LIMITED

IN THE MATTER OF  
THE CYPRUS COMPANIES LAW CAP 113  
Notice is hereby given that a Petition has been filed in the High Court of Justice, Nicosia, Cyprus, which is being voluntarily served and is required on or before the 9th day of July 1994 to send in their full names, their addresses and descriptions, full particulars of the business and the names and addresses of their solicitors (if any) to the undersigned Mr. Constantinos Karayannidis ACA of 76a Moni, 3, Thessaloniki, Davis Street, PO Box 412, Nicosia, Cyprus, the solicitor of the said company, and to file a copy of the Petition or writing from the said solicitor, or copies in and prove their said dates or dates at such time and place as shall be specified in such notice, or as may be directed by the court, and will be excluded from the benefit of any discretion made before such date are proved.

Dated the 10th day of June 1994

CONSTANTINOS KARAYANNIDIS  
Solicitor

NOTICE OF APPOINTMENT OF  
ADMINISTRATIVE RECEIVER

COUNTRY RESORT (PROPERTIES) LTD  
Registered number: 277301  
Formerly known as: Gullane No. 270  
Limited. Trading name: Country Resort  
Nature of business: Operating and managing  
hotels, restaurants and public houses. Trade  
classification: 47. Date of appointment of  
administrative receiver: 1 June 1994. Name of  
person appointing the administrative  
receiver: National Westminster Bank Plc.  
A.J. Bloom and M.E. Mills, Joint Administrative  
Receivers (office holder numbers 6462 and 5318)  
Barker House, 1 Lambeth Palace Road,  
London SE1 7EU

NOTICE OF APPOINTMENT OF  
ADMINISTRATIVE RECEIVER  
MANDATORY LIMITED

Registered number: 2539981  
Trading name: Mandatory Limited. Nature of  
business: Operating and managing hotels. Trade  
classification: 47. Date of appointment of  
administrative receiver: 1 June 1994. Name of  
person appointing the administrative  
receiver: National Westminster Bank Plc.  
A.J. Bloom and M.E. Mills, Joint Administrative  
Receivers (office holder numbers 6462 and 5318)  
Barker House, 1 Lambeth Palace Road,  
London SE1 7EU

## Curriculum proves vital for Woodhead

Chris Woodhead is about to take on his second Herculean educational task in little over a year. John Patten, the education secretary, has nominated him for the post of HM Chief Inspector of Schools - arguably the second most powerful job in English education.

The job will require Woodhead to run the Office of Standards in Education (Ofsted), a non-ministerial government department which has just started a controversial system for inspecting every state school at least once every four years, using lay inspectors.

Although his appointment starts on September 1, he will not be able to give it his undivided energy until he has finished his present job - slimming down the national curriculum for England and Wales.

As chief executive of the Schools Curriculum and Assessment Authority, it has fallen to Woodhead to carry

out the review which has been headed in masterful style by Sir Ron Dearing. The task of getting large groups of academics to agree on lopping a fifth of the content from the curriculum was never going to be easy, and some teachers on Ofsted's working groups - particularly in English and History - have publicly dissented from final proposals.

They claim that the authority's officials had dominated the process. However, the review has been completed according to timetable, and ministers are happy with the way the task has been handled - as Woodhead's appointment demonstrates.

Woodhead's promotion is the latest in a startling series. A graduate of Bristol and Keele, he taught English in secondary schools before moving into local government in 1982 - not usually a springboard for advancement in central government circles. As recently as

## PEOPLE



## Hambro breaks links in its chain

Harry Hill, 46, formerly joint managing director, has moved up to become sole group managing director of Hambro Countrywide, the estate agent and financial services chain in which Hambros has a stake.

His erstwhile partner as joint managing director, John May, 39, is transferring within the Hambros group, to take up a post as deputy chairman and managing director of Hambro Group Investments.

The move thus ends a joint managerial partnership at Hambro Countrywide which stretches back to November 1988. Hambro Countrywide returned to profit in its last annual results, reported in March this year. The 445-strong agency chain increased its commission income from £52.9m to £54.4m, turning a 1992 loss of £1.8m to £15.8m profit for the financial year of 1993.

Christopher Sporborg, Hambro Countrywide's chairman, said yesterday that May's shift of post was entirely related to internal restructuring at the company, which had seen the financial products' division - for which May had been responsible - being brought under the aegis of the agency division, rather than the responsibility of Harry Hill.

A key element of May's role having so significantly changed, Sporborg added that "I did need to have him (May) here. Because of the changes at Hambro Countrywide, I met less resistance than I would have had two years ago."

Sporborg says May will remain a non-executive director of Hambro Countrywide, and will "chair a strategy committee there. I think the move strengthens Hambro Insurance Services group, without weakening Hambro Countrywide".

■ John Nettleton and Rodney Clutton, formerly finance and commercial director and development and property director, respectively, have been appointed joint mds of WATES CITY OF LONDON PROPERTIES.

■ Geoff Brice has been promoted to director, operations & projects at SIR ALEXANDER GIBB & PARTNERS. Jim Lange is appointed director of its Asia regional office.

## Salomon sends Berens to UK

Salomon Brothers is sending one of its biggest hitters to London as part of its drive to raise the firm's profile in European equity markets. Rodney Berens, 48, a member of Salomon Brothers' 12-strong executive committee, is currently co-head of the US equity department with Bruce Hackett.

Stephen Postford, chief executive officer of Salomon Brothers' European operations, is looking forward to working with Berens to come up with a winning formula to make Salomon as well known in the equities business as it is in fixed-income and derivatives.

"It won't be a bums-on-seats strategy," says Postford. Rather, the emphasis will be on sector-driven research and close co-ordination between Salomon's European operations and the US investment banking arm. Berens will also provide valuable access to Salomon's equity salesforce in New York, Postford adds.

Berens is expected to spend a good part of each month in London over the summer but crucial decisions such as his children's education are likely to delay his transfer until the end of the year. Before joining Salomon in 1982 in the wake of the Treasury scandal, he was in charge of global research at Morgan Stanley.



Tony Allen, former chief executive of Berkshire county council, is to become the new chief executive of the National House-Building Council, the self-regulatory body of the house-building industry. He will succeed Basil Bean, who retires at the end of September.

Allen, 54, has been a consultant on market-testing and the management of change in the public sector since leaving Berkshire at the end of November.

During his tenure, the council pioneered contracting-out of services to the private sector, putting even core activities such as planning and financial services out to tender. Since April, he has been

a special adviser to Michael Heseltine, Trade and Industry secretary, working on contracting-out and the privatisation of the DTT's agencies.

## Change of hard hat for Tony Allen

A solicitor by training, Allen has spent most of his working life in local government. His career included spells with Coventry, Lewisham and Southwark and he was chief executive at the London borough of Hammersmith and Fulham before moving to Berkshire.

Between 1979 and 1986 he was responsible for the organisation and development of the London Youth Games and remains a director of London Youth Games Limited. He chaired the local authorities' disaster working party for the Department of Health and is a member of the British Standards Institution.

The financing of international trade has been a core business of Standard Chartered Bank for over 140 years. It is one of the strengths on which our international network has been built. Today, that network operates through more than 600 group banking offices in over 50 countries - with particular strength in the developing economies of Asia and the Pacific, as well as Africa and the Middle East.

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offers you the benefits of international networking - pooling the skills, the local knowledge and the expertise of our people to deliver an outstanding service.

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Standard Chartered has a long-established reputation as a leader in financing international trade. By building on the strengths of our network and our people, we are building on that reputation still further.

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INTERNATIONAL NETWORKING

# Soul-paring style

**T**he biggest shock at last month's Cannes festival, apart from the film that won the main prize, *Pulp Fiction*, was the film that won no prize at all. Krzysztof Kieslowski's *Three Colours Red*, the critics' favourite, was passed over by the ruthless Clint Eastwood Gang — aka the Cannes jury — thus robbing the Polish-born director of the "grand slam" that seemed his for the taking after earlier prizes for *Blue* (Venice) and *White* (Berlin).

It was at Berlin, just before he won his Best Director Silver Bear, that he and I met and talked amid an earlier half of Kieslowski's headstates. Had he really decided to stop making films? I ask, through an interpreter.

"I hope Yes."

But you are the most acclaimed film-maker in Europe?

"Maybe it's best moment because of that."

What will you do instead?

"Nothing special."

It is like talking to Leonardo Da Vinci as he fondles an early pair of retirement slippers. Kieslowski's films have been the glory — it often seems the sole glory — of European cinema since the mid-1980s. When *A Short Film About Killing* premiered in Cannes in 1988, this literally tiny feature (70-something minutes) raised scalp hairs across the entire town. The poetry of nightmare — a vicious murder, a more vicious execution, a series of cityscapes shot in billows-yellow or acid-blue filters — was joined to a forlorn, ironic compassion.

Later works — *A Short Film About Love*, *The Double Life Of Veronique* — took that soul-paring style and added bits of comedy and fantasy, even mazy lyricism. But a Kieslowski film is still unmistakable. It is moviedom's answer to Munch's *The Scream*: a silent yell offered over the death-throes which some in the director's view foolishly mistake for life-throes — of Europe at the end of the millennium.

His latest and threatened last work is his French-co-funded trilogy based on *tragi-comédie* themes. As in *Decoupage*, his TV-commissioned series where each short film was based on one of the ten commandments, Kieslowski likes to fool audiences into expecting neatly-tailored thesis movies. But *Blue* was about

the "liberty" of a woman in shock after the death of her husband and child in a car crash; and *White* (equality) and *Red* (fraternity) are wry, lateral reflections on the other great abstracts in the French revolution.

Kieslowski insists that the films are about people anyway, not society or politics; even though *White*, opening in London today, looks at the new capitalism in Eastern Europe, with its tale of a rich Pole using black market scams to lure his estranged French wife to Warsaw, and *Red* is set in bureaucratic, icy-hearted Switzerland.

"I do not believe in society," he states. "Society is composed of millions of individuals and those individuals interest me." Didn't Mrs Thatcher once say the same thing?

**Nigel Andrews**  
talks to the Polish  
film director  
Krzysztof Kieslowski

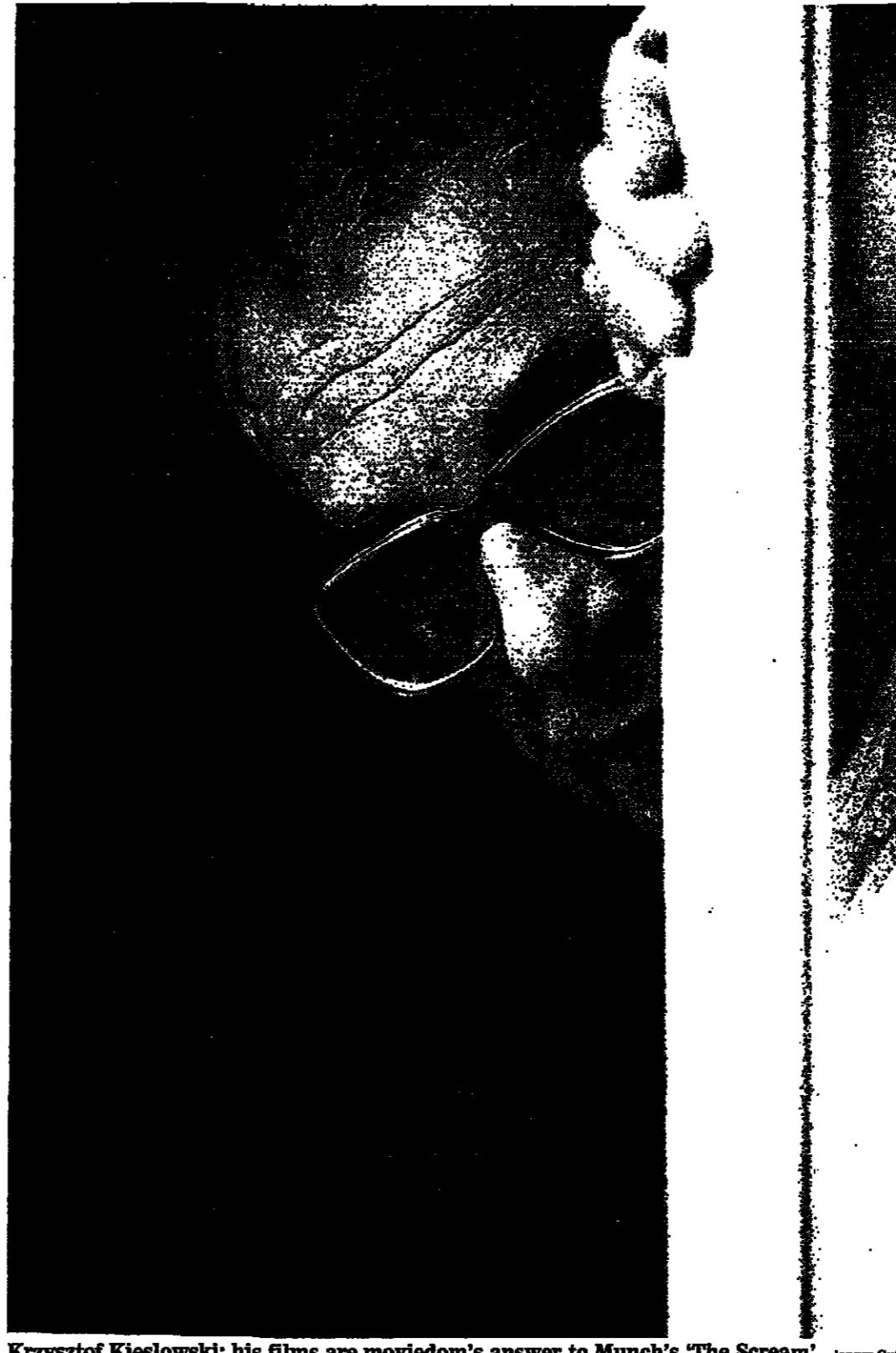
"But for her it had a political dimension. That is the difference. In her mouth it does not make sense at all, because looked at politically and socially of course societies exist."

But not, he implies, for the artist. And for film-makers the advantage of a Europe now collapsing into semi-federalism is that they can ignore such divides as do remain between countries and cultures. Co-production heaven has arrived, and much of Kieslowski's recent work, starting with *Veronique*, has been made with French actors in French settings in the French language.

"It's practically impossible to understand other countries than your own. But if you are talking about people, that doesn't matter. A human being is not a country. Foreign actors bring something truthful about their country into my film; they carry that truth inside them. So I'm not obliged to smell the air in this other land, because the actors know and breathe it..."

And in any case the country where this director's films are really set is Kieslowski-land. Like Greenland it has its own moods, rules and landscapes: though in typ-

Krzysztof Kieslowski: his films are moviedom's answer to Munch's "The Scream". James Gutteridge



Kim Begley and Susan Bullock as Laca and Jenufa

striking use of colour and often invoking great works of the past, his images always centre on human experience, reflecting his view of love, exile, sex, tragedy, comedy, literature and politics. Since the 1970s his paintings have also been concerned with his Jewish heritage. This exhibition runs till September 4.

Apart from the Pugni exhibition at the Victoria and Albert Museum, the other major opening in London this month is Bonnard at Le Buisquet, at the Hayward Gallery. It brings together some 80 paintings, watercolours and drawings, and traces Bonnard's work on the Côte d'Azur, where — in common with many other painters — he became fascinated with the extraordinary quality of light. He bought Villa du Buisquet in 1926 and died there in 1947. The exhibition runs from June 23 to August 23.

## EXHIBITIONS GUIDE

**AMSTERDAM**  
Van Gogh Museum Van Gogh's Self-Portraits: 20 paintings and two drawings dating from his stay in Paris 1886-7. Ends Oct 9. Daily.

**ESSEN**  
Villa Hügel Paris — Belle Epoque: an evocation of the period from 1880 to 1910 with paintings, drawings, posters, photographs, glass and furniture. Ends Nov 13. Daily.

**FRANKFURT**

Schirn Kunsthalle Goethe and Art: 300 paintings, drawings and sculptures ranging from antiquity

**BARCELONA**  
Museu Picasso The Russian Avant-Garde 1905-25. Ends June 26. Closed Mon (Carrer Montcada 15-19).

**BASLE**  
Museum für Gegenwartskunst The Udo and Anette Brandhorst Collection: a selection of works by artists active in the 1960s and 1970s, including Joseph Beuys, Georg Baselitz, Cy Twombly, Sigmar Polke and Richard Long. Ends Sep 18. Closed Mon.

**BONN**  
Museum für Indische Kunst Lost Empire of the Silk Road: 87 well-preserved pieces of Buddhist art from the tenth to 13th centuries. Ends July 3. Closed Mon.

**BERLIN**

Museum für Indische Kunst Lost Empire of the Silk Road: 87 well-preserved pieces of Buddhist art from the tenth to 13th centuries. Ends July 3. Closed Mon.

**BONN**

Kunst- und Ausstellungshalle

The Century of the Avant-Garde

In Central and Eastern Europe: 700 works by 200 painters and

sculptors, offering a thematic guide to the artistic developments of the past century. Ends Oct 16. Closed Mon.

**ESSEN**

Villa Hügel Paris — Belle Epoque:

an evocation of the period from

1880 to 1910 with paintings,

drawings, posters, photographs,

glass and furniture. Ends Nov 13. Daily.

**FRANKFURT**

Schirn Kunsthalle Goethe and

Art: 300 paintings, drawings and

sculptures ranging from antiquity

till Goethe's death in 1832. Ends Aug 7. Daily.

**DEUTSCHE ARCHITEKTURMUSEUM**  
Modem Architecture in Germany 1900-1950: Expressionism and the Neue Sachlichkeit. Ends July 3. Closed Mon.

**LONDON**  
National Gallery From Caspar David Friedrich to Ferdinand Hodler, A Romantic Tradition — Paintings and Drawings from the Oskar Reinhart Foundation: 130 works from one of Europe's finest collections of German, Austrian and Swiss art of the 19th century, ranging from the intensity of the Romantic era and the gentle charm of Biedermeyer, to the robust art of Realist and Symbolist painters at the end of the century. Ends Sep 4. Daily.

**GROSVENOR HOUSE** The flagships for the British art and antiques world runs till June 16, and includes

paintings, furniture, silver, jewellery

and other works of art from

antiquity to the present day. Among

the items on show are a pair of

paintings by Francesco Guardi

dating from the early 1780s,

Landscape's A Highland Glen, an

Elizabethan walnut three-tiered

buffet and some classic Chinese

16th and 17th century Ming furniture

(tel 071-495 8743 fax 071-495

8747).

**ACADEMIA ITALIANA MICHELANGELO**

— An invitation to Casa Buonarroti:

15 drawings, plus letters and

books. Ends July 24. Daily.

**BRITISH MUSEUM** Indian Paintings

and Drawings from the Collection of Howard Hodgkin: magnificent works from every part of India,

collected by one of Britain's most

original contemporary artists. Ends

Aug 21. German Printmaking in the Age of Goethe: 200 works by 60 artists ranging from Romantic forerunners in the mid-18th century to the Nazarenes. Ends Sep 11. Daily.

**NATIONAL ARMY MUSEUM** Rex Whistler: a tribute to the British painter and master draughtsman who was killed during the 1944 Normandy landings. Ends Sep 18. Daily.

**ESKENAZI** Yuan and Early Ming Blue and White Porcelain: 26 rare pieces dating from 1340 to 1435, mostly from private collections. Ends July 8. Closed Sat and Sun (10 Clifford Street W1).

**MADRID**

Centro de Arte Reina Sofia

Gerhard Richter: 100 works by one

of the key figures in contemporary

German art. Ends Aug 22. Closed Tues.

**NEW YORK**

Metropolitan Museum of Art

Petrus Christus: 22 paintings by

the 15th century Netherlandish

master, renowned for the jewel-like

luminosity of his work. Ends July

31. Picasso and the Weeping

Woman: 80 paintings and works

on paper from the 1930s and

1940s, when Picasso was obsessed

by two women in his life —

Marie-Thérèse Walter and Dora

Maar. Ends Sep 4. The Decorative

Arts of Frank Lloyd Wright. Ends Sep 4. Closed Mon.

**MUSEUM OF MODERN ART** From

Manet to Picasso — Masterpieces

from the David and Peggy

Rockefeller Collection: among the

21 works are Cézanne's Still Life

with Fruit Dish (1879-80) and

paintings by Renoir, Signac,

Pissarro, Dérain and Matisse. Ends

Sep 6. Closed Wed.

**PARIS**

Grand Palais The Origins of Impressionism 1859-69. Ends Aug 8. Closed Tues.

**MUSÉE D'ART MODERNE DE LA VILLE**

de Paris Dutch Art of the 20th

Century: the first part traces

developments from Van Gogh to

Mondrian, while the second focuses

on ten contemporary artists. Ends

July 17. Closed Mon (11 ave du

President Wilson).

**HÔTEL DE VILLE** Nicolas de Staél:

70 paintings and 40 drawings by

the Russian-born, French-trained

painter who committed suicide in

1955. Ends June 19. Closed Mon (Salle Saint-Jean, 3 rue de Lobau)

**ROME**

Palazzo delle Esposizioni Dada

- The Art of Negation: 300 works.

Ends June 30. Richard Long: eight

installations by the British artist.

Ends June 30. Closed Mon.

**SAN MIGUEL DE ALLENDE**

San Michele Garden Thrones:

drawings, engravings and scale

models showing the lost baroque

art of creating theatrical scenery

using only carefully manicured

plants and trees. Ends June 26.

**CLOSED SUN** (Via San Michele)

**MUSEO DEL FOLKLORE** The Influence

Of Egypt: how the cult of

Egyptology influenced film-makers

and strip-cartoon artists, including

Karl Freud (The Mummy with Boris

Karloff, 1932), Walt Disney</

In Dzerzhinsk, on the outskirts of Nizhny Novgorod, stands a new-generation Russian factory fortified in a style reminiscent of the old days when the area - home to the Soviet Union's T-34 tank and MiG 29 warplane - was closed to foreigners.

Ringed by a solid 3-metre-high concrete wall, electrified barbed wire, floodlights, a no-go area of raked sand and a further wire fence inside the main perimeter, Germany's Wella group goes about its day-to-day business: making shampoo, conditioner and permanent wave lotion.

Mr Boris Nemtsov, regional governor, is ignoring the elaborate defences erected to keep gangsters away from the German skincare group's Dazzan investment in the Russian chemicals industry. He is holding forth on the "prejudice" disseminated by foreign media.

"I get a lot of information from the outside," he says in perfect English. He sees the FT, the Wall Street Journal and the Economist. He reads too much about lawlessness, inflation and instability and not enough about the advantages for potential investors.

"You can make profits here which you cannot dream of where you come from," he says, citing labour costs a tenth of those in Germany, and clamouring demand for western-quality products.

As for the mafia, Russia is no worse than eastern Europe or New York. "And the way to deal with it is to improve the situation in the private sector," he says. "When private banks first appeared in Russia they were full of corruption and crime. But they organised their security privately and the problem was no longer a problem," he adds.

Mr Nemtsov, 34, a "conservative" favourite of President Boris Yeltsin, blessed with double-rations of energy and charisma, is guest of honour at the official opening of the factory, a 50:50 joint venture between the German group and Caprolactam, a sprawling Russian chemicals combine.

He seems put out that the size of the plant does not match his view of the market potential. He waves his arm around the compound where the new buildings occupy less than 20 per cent of the 50-hectare enclosure and where new jobs have been found for just 130 of Caprolactam's bloated workforce of 13,000. "If this factory were five times bigger Wella could supply the whole market," he says.

The joint venture, known as

## Shampoo and set in Russia

Christopher Parkes on a German group's eastern hair care flair



Capella, expects to break even on sales of DM50m-plus in its first year. It is considering increasing capacity, and plans to double turnover by 1996, presidential election year in Russia. Few are tempted to look much further. "We are in a country where you cannot do much long-term planning," says Mr Peter Zehlsdorf, Wella chairman. "Our only navigational aid is the foghorn: they haven't got radar yet."

Wella was first steered towards its Russian investment three years ago by the presence in one of the last great potential markets of its global rivals in skincare. Unilever, Procter & Gamble and L'Oréal Wella, which had hitherto supplied the market through exports, also feared Russia might be closed to non-essential imports.

It was guided towards Dzerzhinsk by a joint venture advisory agency set up in 1991 by the Nizhny authorities and Germany's WestDeutsche Landesbank shortly after the region was declared an experimental privatisation zone by Mr Yeltsin.

Nizhny's importance as the Soviet weapons smithy meant it had above-average (by Soviet standards) road and rail links. Caprolactam was once sole

supplier of a wide range of raw materials to the entire Soviet Union, and is seeking more partners such as Wella - its first foreign collaborator - to make added-value products with more appeal than its present range, which includes linoleum and plastic funnels.

Lawlessness plus political and economic chaos entered Wella's calculations but, Mr Zehlsdorf says, the investment was based on business realities in the global personal products market.

The company's situation in Russia is basically no different from its other markets: balancing risks against opportunities and competing against global rivals. "What is going on here is the sharing-out of a new market," says Mr Zehlsdorf.

"In the long run, not taking a chance now would involve us in greater risks in the future."

As for the security of his investment (Caprolactam provided the land and the buildings), Mr Zehlsdorf seems unconcerned. "Our DM50m is not exactly peanuts, but..." he says with a wry smile and a shrug. The message is that it is an acceptable stake in the light of the potential offered by 150m heads of Russian hair and ample evidence that local customers will pay for western

quality despite widespread poverty. Wella products, marketed in Russia for the past 15 years, currently sell for about 90 per cent of German retail prices.

That is a good enough start for him, and he sees Wella as established and sure to gain. Only the extent of the gains and their timing is in doubt.

"There will not be a catastrophe," he states. "There may be years of uncertainty. Growth may come in stops and starts or not at all for some periods. "But long term, [economic] progress will go on."

Short term, formal distribution arrangements appear to be a concern because the former state-run system has collapsed. Wella has tried to overcome this by setting up a marketing joint venture with Caprolactam. This Moscow-based company, Russwell, already has five wholesale distributors and 50 staff building a chain of exclusive dealers.

At the same time, the group's Wella shop-fitting subsidiary is opening hair salons - a key outlet for the Wella brand - as quickly as it can find joint-venture partners. There are now some 150 in Russia. The latest is in the White House parliament building in Moscow, with two more planned for the capital's Bolshoi Theatre and GUM department store.

Whatever Mr Nemtsov's reservations about the scale of the new factory, which started production last autumn, the venture has restored Wella's fortunes in a market where sales had virtually evaporated in 1992. Thanks to Capella's output, bolstered by imports of hair colours and other more refined products, Russia is again the group's biggest market in terms of turnover in eastern Europe. Wella's handsome margins are being recycled into print and broadcast media advertising.

And Mr Nemtsov, given to grand gestures and ambitions ("I am governor in Nizhny just as President Clinton was governor in Arkansas") does not miss the significance of Wella's initiative. "Did you know how foreign investment in Poland started? In the same way as here, with cosmetics."

The Capella plant is a small but important addition to the 300-odd joint ventures Mr Nemtsov claims are under way in the region. But many more are needed if Russia is to make a smooth transition to a market economy. "We need anything, any investors, anything that makes a profit."

## EXHIBITION AP AUDEMARS PIGUET A Tribute To Horological Excellence



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Conservatives, while 36 per cent were still voting Liberal Democrat. That is a great many Kellaways to play for. Mr Ashdown, the third party's leader, would be the first to recognise this disturbing truth.

It is possible, indeed likely, that Mr Kellaway himself is an isolated case. We do not expect Liberal Democratic candidate in the Newham North-east by-election. At the last minute he had a fit of conscience and defected to Labour. Correction. Not at precisely the last minute. The Kellaway conscience, it appears from various accounts, spoke with finality last Sunday and the bears of it four days later. Further correction: Mr Kellaway, an economist for 10 years at the Henley Centre for forecasting, did not, in his view, defect. He "returned home" to Labour. That is the party from which he had previously defected to join the Social Democratic party, may it rest in peace.

There is no need to hold up your hands in horror to protest that this is all very confusing. Do not mock. The inference to draw from Mr Kellaway's little drama is quite clear. The Labour party was rendered unelectable by the schism of the early 1980s. In those days Labour was loony and left. Now it is just about social democratic. It may be ready to welcome the return of many of the voters it lost a decade ago.

That would transform British politics. We can be startlingly precise about how much room exists for such a development. An entire trio of psephologists

- Messrs Anthony Heath, Roger Jowell and John Curtice - has reported in its latest study that 42 per cent of those who switched in 1983 from Labour to the Liberal-SDP alliance returned to Labour in April 1992. Some 12 per cent of respondents to the same questionnaire had moved to the

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## FINANCIAL TIMES

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Friday June 10 1994

## The point of mutuality

The British have always had an exaggerated view of the merits of home ownership. Have they a similarly over-respectful view of mutual ownership in the building society movement? It is the tempting to think as after the High Court's decision to throw obstacles in the path of Lloyds Bank's £1.5bn offer for the Cheltenham & Gloucester Building Society.

The 1986 Building Societies Act makes it exceptionally difficult for such takeovers to proceed, even when agreed by the respective management. In the case of Lloyds, the specific stumbling block was a provision that prohibited the payment of cash bonuses to investors of less than two years' standing. The purpose of the legislation was not to block bids, but to prevent speculative movements of funds from one society to another in anticipation of bids. Yet Vice Chancellor Sir David Nicholls ruled the bonuses promised to recent investors in Cheltenham & Gloucester were unlawful. The question is whether this legal logic makes public policy sense when the Treasury is reviewing building society legislation.

To answer that question requires some prior consideration of the point of mutuality. This form of ownership developed in the 19th century because it enabled people to achieve goals that were not attainable via the commercial banking system at the time. Today, with home ownership accounting for around two-thirds of the housing stock, the purpose of the building society movement is largely fulfilled.

The larger building societies no longer behave like mutual undertakings in relation to their members. They are scarcely distinguishable in their motivation and goals from the clearing banks. Indeed, some societies have been harsher in their treatment of

struggling mortgagors than the banks. And they sometimes appear more interested in offering attractive deals to new customers than looking after existing owners. This narrow pursuit of profit is at odds with the concept of mutuality, and it remains unclear precisely what the profits are for.

In one sense the societies are obeying the logic of the product market in which they operate.

Deregulation has given both societies and banks the opportunity to engage in licensed poaching on each other's territory. Yet if that is the case, why maintain an ownership and regulatory ring-fence around institutions whose activities are converging with the wider business of the banks?

One answer might be that in a plural system the building societies have looked after their depositors with more imagination and flair than the clearing banks have looked after theirs. The banks' record does not inspire confidence in their ability to rejuvenate the most successful building society sector. Both operate in imperfect markets in corporate control. Yet below the very top level societies are subject to greater threat from takeover than any bank and they cannot, under the 1986 Act, take over a big clearing bank.

On balance, it seems sensible to continue to make it difficult for banks to take over societies and to keep the societies from engaging in higher-risk lending business until they can demonstrate the requisite skills. Determined players with good lawyers will always find a way to consummate deals. What cannot make sense is for investors who are not entitled to receive bonuses to be given votes that enable them to block a bid that the majority desires. This calls for legislative change, as does the present over-restrictive approach to wholesale funding.

## Social Europe

Wednesday's European Court judgements, coming on the last day of Britain's European election campaign, could not have been better timed to provoke maximum confusion. In fact none of them were unexpected and they are, with some qualifications, to be welcomed. The decision to extend to employees who are not in unions the right to be consulted in cases of redundancy and business transfer is overdue. It was a Labour government which favoured unions when transposing into national law the European requirement to consult. But Conservative governments happily followed suit in European legislation, as well as in domestic health and safety legislation.

A statutory right to consultation for all employees is, in principle, a big step away from the British system of industrial relations and towards one based on continental-style individual employee rights. Britain has in fact been heading in this continental direction. In recent years, based on the belief that to have workplace rights mediated only by trade unions is anachronistic. Moreover, the actual effect of the consultation ruling on employers is likely to be small. It appears that employers will not have to establish a prescribed mechanism for consulting but, rather, a procedure, which allows a good deal of flexibility.

The danger is that the govern-

ment will be tempted to transpose a minimalist interpretation of the requirement to consult and so will risk opening a fresh wave of Eurolitigation. This temptation must be avoided. If there is any lesson to be drawn from the continuing chaos over the Transfer of Undertakings (Protection of Employment) regulations, it is the importance of realism. The government has good reason to object to Tpe - which excessively protects jobs and conditions - when businesses are transferred - but pretending it does not apply in contracting-out cases has left contractors as well as employees confused and angry.

The most grotesque misunderstanding is to suppose that this week's events undermine Britain's "opt-out" from the Social Chapter. In fact this opt-out relates only to future legislation; the matters which were the subject of the week's court rulings arise from EC directives of the 1970s. The opt-out may, in any case, become superfluous as the EU moves away from an over-detailed and prescriptive approach to labour legislation. A deregulatory tide is now running and even on Tpe there is a current in favour of narrowing its scope to exclude at least some of the activities covered by contracting out in Britain. That outcome has been helped by Britain's constructive lobbying "at the heart of Europe", not by opting out or wishful thinking.

## Missing links

European Union finance ministers were right this week to rebuff a European Commission proposal to issue "Union bonds" to fund investment in large cross-border infrastructure projects. The scheme is deeply flawed. However, the debate it has stimulated offers an opportunity to explore more constructive alternatives.

Union bonds, and the so-called trans-European networks they are supposed to finance, are much to the desire of Mr Jacques Delors, the commission president, for a grand political initiative to fight recession and promote European integration. But his proposals are unlikely to produce those results. At a time when national budgets are under severe strain, and the demands of the public sector weigh heavily on European economies, the EU should think twice before embarking on a large amount of new borrowing. That might fuel recent rises in long-term interest rates and make it harder for private borrowers to obtain financing. If the EU needs extra funds, they should be sought from the existing lending capacity of the European Investment Bank.

Nor has Brussels made a convincing case for its proposed infrastructure projects. It says they will create cross-border links which member states have had no incentive to provide in the past. However, that confuses cause and effect. The priority sectors identi-

**L**ife is Hell. How much stress is too much stress?" reads the headline over a cartoon in a modest office used by King Hussein of Jordan. It could well provide a motto for a man who has survived more than 40 years at the centre of a still turbulent Middle East.

To what extent that cartoon reflects the king's mood may be a matter of debate, but there is no doubt the depth of his frustration, even exasperation, revealed by the occasional flash of bitterness about political developments in the region. A conversation with the king offers no trace of euphoria about the Middle East peace process, in spite of his assessment that it is "irreversible", but rather a deep disappointment at the opportunities missed, and some foreboding about the future.

Beneath the diplomatic veneer, it also reveals the frustration of a man who, for the past four decades, has been at the centre of attempts to bring about a lasting regional peace, but who may be sensing that he and Jordan have been edged to the periphery of a process which could define his country's future.

Much of King Hussein's dismay stems from the failure of Arab nations to rise above narrow self-interest, and his reluctant acceptance that Jordan may eventually have no option but to abandon one of its most fundamental commitments: its refusal to sign a separate peace deal with Israel. Before Jordan, Syria, Lebanon and the Palestinians sat down with Israel at the Madrid peace conference in October 1991, they had agreed that their greatest strength lay in unity. They were determined to avoid the example of Egypt, which in 1978 signed a separate peace with Israel, and not allow themselves to be picked off individually by Israel.

"Sadly, that co-operation has been a myth," said the king, "particularly in regard to our Palestinian brethren. I had hoped that there would be the kind of co-operation that would allow us to address jointly our problems with Israel. This has not happened. As a result we are convinced we cannot wait any longer. We have to address the problems which relate to the interests of this country. But at the same time we remain ready to address any request for help [from the Palestinians] to the best of our ability."

However, the king does not know what the Palestinians want from Jordan, any more than he knew that Mr Yasser Arafat, the chairman of the Palestine Liberation Organisation, was last summer secretly negotiating an outline peace agreement with Israel which culminated on September 13 in a signing ceremony at the White House. The Palestinian leadership then proceeded

## Hopes smothered in shifting sands

Jordan's King Hussein outlines to FT writers his frustration and fears for the Middle East

to provoke the Jordanians further by signing an economic agreement with Israel which in some areas contradicted (for instance, on banking and financial controls in the West Bank) a deal already struck with the government in Amman.

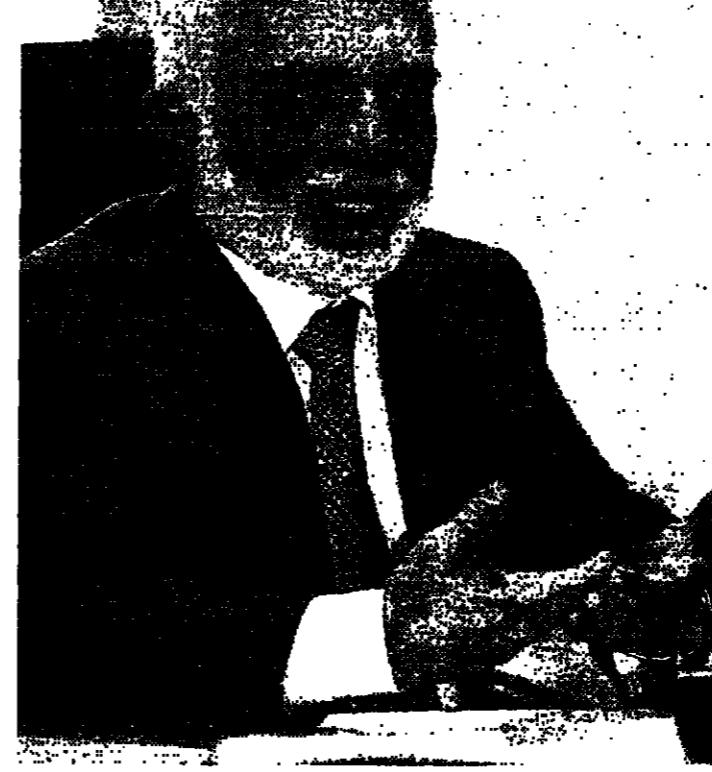
"Instead of Jordan having an economic agreement with the Palestinians, and the Palestinians having an agreement with Israel, we are now having to discuss the whole thing all over again. We could have saved time if we had co-ordinated in the first place," said King Hussein.

The relationship does not appear to have improved since the PLO took control of 80 per cent of the Gaza Strip and the West Bank town of Jericho following the withdrawal of Israeli troops last month. The king stressed his commitment to help the Palestinians, but added, sighing: "If there are specifics asked of us, we would like to know in advance what they are." For example, if they want help with electricity distribution, "we are already suffering a shortage, so if they ask this of us we may not be able to deliver".

But the king left the impression that he doubted whether the PLO leadership knew what it wanted - or indeed whether it adequately represented the aspirations of the Gazan and Jericho Palestinians it now leads.

One consequence of the PLO attitude has been Jordan's decision to resume direct negotiations with Israel this week in Washington, for the first time since September. These should build on an outline peace "agenda" agreed at that time which set out territorial, security and economic issues to be discussed. "We have always sought to achieve progress since the ratification of the agenda between Jordan and Israel. I am very pleased by the fact that we seem to be at the beginning of the serious work which is required by both sides."

The key question is how far down that road King Hussein will venture, and whether he might be willing to sign a peace treaty with Israel before Syria and Lebanon. Alternatively, having already seen Egypt and the PLO abandon a joint Arab approach, King Hussein may privately fear that Syria could go the same way. He senses that sub-



YOUSSEF ABDELLAH/AP

King Hussein: 'If freedom continues to be denied, then we have problems'

stantial progress in the Israeli-Syrian negotiations may not be long delayed, with Mr Warren Christopher, the US secretary of state, likely to resume his shuttle diplomacy soon. "We have our own unique problems," said the king. "Syria has its own unique problems. I would not say that we know exactly what is going on there. Nor are we required to provide details of what is going on here."

It is an answer which leaves all Jordanian options open. It also underscores King Hussein's fears that while Arab governments may be on the brink of securing an historic regional peace, they are failing to develop either regional co-operation or the political systems which

would put the fruits of peace in the hands of their people. "It is a very sad phase. It is also very dangerous in some respects. It is one which causes despair. And the reaction to it, the extremism as you see it, is a reflection of poor economic conditions and feelings of utter frustration. I will not be very popular for saying it, but it is the result of a lack of ability to bring about institutions which give people a meaning to their lives, give people the right to decide what the future should be. In other words, democracy, freedom and respect for human rights. If this continues to be absent, and continues to be denied, then we have problems."

The king is proud of his own

response to such fissile political sentiments: an evolving democracy which last year saw the country's first multi-party election, and one in which an Islamic party won seats. "All schools of political thought have found a common language and a common ground for this country to thrive and to continue to develop with democracy and with respect to the constitution. We hope that others might look at us as something that works, not as something that is a challenge to them."

King Hussein watches with particular distaste the war in Yemen which his personal diplomacy had failed to avert. Here, in the king's eyes, was a union blessed by the Yemenis and bound by a democratic election, which is being fragmented not, he says, from within but by outside meddling. "There are elements that are interested in fragmenting this country [Yemen], and this is criminal," he says, in what appeared to be an allusion to Saudi Arabia and other Gulf states. King Hussein says he has now "withdrawn from the scene".

**H**is withdrawal is symptomatic of a deeper feeling that the king's experience and advice is being ignored among Arab and western states. Partly, as he acknowledges, this relative isolation derives from Jordan's inability to claw back the diplomatic ground it lost as a result of the king's opposition to the war against Iraq. Relations with Egypt remain cool, and the king was again snubbed by King Fahd during a recent trip to Saudi Arabia.

The favour of western allies is returning, but slowly. This weekend King Hussein will fly to Washington to meet President Bill Clinton with whom he says a "very good friendship" is developing.

But whatever diplomatic comfort the trip will provide, his journey to the US might offer a more important cause for personal celebration and one that will bring relief in Jordan. At the start of a 10-day trip, King Hussein will learn whether he remains clear of the cancer that caused the removal of a kidney two years ago. "If everything's all right with me I will not have to repeat what I have done over the last two years with six-monthly tests. After this test the need probably will be for an annual check-up."

King Hussein's vigour reinforces that optimism. But it is an ill omen for the Arab world that its most senior statesman and leader can summon so little optimism about the health of its body politic.

By Roger Matthews, Mark Nicholson and James Whittington

## The wrong way to compete



PERSONAL

This week's report by the Organisation for Economic Co-operation and Development on unemployment in Europe seems to come out strongly in favour of the UK government's economic policy, in particular with regard to its Maestricht opt-out of the social chapter.

The basic message from both runs like this: Europe's labour and social costs have become too expensive and its labour laws are too inflexible. In particular, they give employees too many rights and too much job protection.

The UK government would add: lucky and successful Britain has no such problems and where they arise they are attacked vigorously. Hence the UK is first out of recession and has reduced unemployment.

Consider also the following, however: Germany and Switzerland have some 80 per cent higher labour costs per hour than Britain and Spain, and about 40 per cent higher than Italy and France, and four times the labour costs of Portugal. This

should make Germany very uncompetitive. But no, Germany still has a very healthy trade surplus with the world and the UK shows a huge deficit. Germany even has a trading surplus with Britain, which has been rising again lately at an alarming rate.

Competitiveness depends on capital investment, R&D, processes, management qualities, work force attitude and skills, rather than on wage rates - in other words, on overall productivity. UK companies believe they can compensate for their lack of investment by focusing on labour costs. They are forced into this position often by a harsh financial climate. While Japanese and German companies pay shareholders on average less than 35 per cent of profits and US firms pay 53 per cent, British companies have to fork out a huge 70 per cent.

And when all else fails - as it always has and will do again - there is good old devaluation to restore competitiveness for a while. But here lies a real reason why the UK could not be on the exchange rate mechanism or become part of a single currency Europe.

When my company, Jungheinrich, set up shop in Britain in 1987, the pound stood at DM11.20, importers had between them less than 10 per cent of the UK lift truck market and a healthy 60 per cent of British production went into export. In 1994 the pound stands at barely DM2.50, imports are more than 60 per cent of the home market and the last remaining British-owned fork truck

maker, Lancer Boss, has been bought out of receivership by its German rival, Jungheinrich.

A link between low wage cost, international competitiveness and long-term success seems to me at best unproven and at worst to be more likely the reverse.

Certainly the industrial world is changing and it is clear that the labour market has to change with

flexible manufacturing, just-in-time and lean production offer a system that is desirable from a micro-economic business viewpoint. Raw materials and components arrive at the factory gates just in time and products are no longer made for stock. It must be every accountant's and production manager's dream to employ labour in the same fashion. It is a quite effective system in the upward phase of a business cycle. Companies hire more quickly, unrestricted by concerns over possible later redundancy costs and time-consuming sacking procedures.

But the nightmare comes with the downward part of the business cycle: just as fast and on an increasing scale, leading to macro-economic instability and an even crazier roller-coaster ride.

Britain's last recession produced 1.5m unemployed in little more than 2½ years. There is good reason to believe the speed with which this happened was influenced by the above trends. If such trends continue, Europe could return to macro-economic instability. This

would be forced by international competition, the advance of information technology in production processes, and governments' flight into deregulation (under pressure from business) in its search for ways to combat unemployment.

The question is how to find a workable balance between micro-economic need for flexibility and stability in the business cycle at the macro-economic level. Germany has begun to address its excesses on the social front, and will also modify certain aspects of its over-regulated labour market. Britain, coming from the completely opposite side, needs in many areas more, not less, protection and regulation. It should try to learn from its European neighbours. Being so often in a minority of one in Europe does not happen by coincidence. It is invariably a sign of being wrong.

Robert Bischof

The author is chairman of Boss Group, now part of Jungheinrich, the German fork lift truck maker



Flexible people eat less

The slogan left something to be desired: "Inter-Rail. You've got the rest of your life to be good." Just like the copywriters, when you think about it.

## Off the rails

■ Inter-Rail's full page advert in several of Britain's quality dailies yesterday gave a fresh meaning to the term European Union. It showed 12 condoms, laid out in a circle on a royal blue background.

The copywriting featured a plethora of double entendres - "the Inter-Rail pass gives you the freedom to go as far as you want in Europe" - spurious tagged to this being the EU's year of Europe Against AIDS.

## Dog bites hack

■ John Drummond left his dog Jamie, a spaniel, tied up outside the Halifax Building Society in Kensington yesterday. On his return he found Jamie being

deliberately making life uncomfortable for him. Arriving at Istanbul for yesterday's Nato meeting, he told his Turkish hosts he wished to pay his respects to the Orthodox Patriarch.

But the police escort apparently mistook Fener, the official seat of the head of the Eastern Church, for Fenerbahce. Only the hasty

intervention of an alert official prevented Papoulias finding himself dropped off in a run-down district best known for its football club.

## Perfect incoherence

■ Invisible exports will never be quite the same again - Britain has managed to sell its controversial new system of vocational qualifications to Oman. It's the first time the system - which rewards an individual's ability to do a job rather than assessing his or her knowledge about a task - has been sold lock, stock and barrel.

The UK's NVQs have been unfavourably compared with their Continental counterparts. But John Hillier, who helped devise the system, says that "the Omanis are as realistic as the rest of us... they recognise that no system is perfect, and that there is hardly a country in the world with as coherent a system. The fact that it isn't perfect is less important than its coherence."

## Fit to print

■ At last a man who knows how to assess the true value of the fourth estate. Interviewed in last night's Evening Standard, Shane MacGowan, hell-raising former lead singer of Irish rock band The Pogues, commented: "I weigh my press. I don't bloody read it. And it weighs a good bit."

European dealership network may increase by 50 per cent

## Honda poised to boost UK carmaking capacity

By John Griffiths in Tokyo

Honda is poised to announce a significant expansion of its UK car manufacturing operations, which may increase capacity by up to 50 per cent.

The planned expansion of its UK plant, on a 370-acre site at Swindon in south-west England, forms part of a revised Honda strategy for Europe in the wake of German carmaker BMW's takeover of Honda's British partner, Rover Group.

Under this strategy, Honda will also sharply step up its marketing activities in Europe and increase the size of its European dealership network by about one-half between now and the end of the decade. Currently it has 1,700 dealers.

The Swindon facilities, in which Honda has invested £370m (£555m) so far, have a declared capacity of 100,000 cars a year, which is due to be reached next year.

Last year Honda produced

32,139 cars and 116,035 engines at the Swindon plant. Output is forecast to rise to 50,000 cars and 150,000 engines this year, with car production set to reach 100,000 in 1995.

Under the new strategy Honda is expected to move to substantially higher output well before the end of the decade, with the prospect of considerably higher employment at the Swindon plant than has been indicated to date.

Currently the plant employs 1,400 people, with a further 600 to be added by the time output reaches the 100,000-a-year mark.

The intention to expand is understood to predate British Aerospace's decision earlier this year to sell Rover Group to BMW.

Initially the deal provoked a furious response from Honda. However, both Rover and Honda are selling back the shareholdings they took in each other. Honda has agreed to continue existing collaboration agreements.

Those include replacements for the Rover 200/400 series and their Honda equivalent, the Concerto, which Rover has been building for Honda at Rover's plant at Longbridge, Birmingham.

The replacements, code-named Theta by Rover and HH by Honda - are due to go on sale early next year. But under arrangements already agreed before the BMW takeover, Rover is to build the HH-based versions at Longbridge.

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To date, Honda has indicated its intention to build about 50,000 new Civics annually. Under the revised strategy, this figure will be much higher.

Honda is also understood to have concluded agreements with Peugeot, the French carmaker, under which it will use Peugeot diesel engines in both the Accord and the new Civic in order to strengthen its presence in the European fleet car market.

## Salinas may stand as world trade chief

By Damian Fraser in Mexico City and Guy de Jonquieres in London

President Carlos Salinas of Mexico is considering competing to be head of the World Trade Organisation, which is to succeed the General Agreement on Tariffs and Trade next year.

A spokesman for Mr Salinas said yesterday: "The foreign ministry has recognised the pronouncements in favour of President Salinas, and is exploring to see whether there is a consensus for his candidacy. This does not imply a decision has been taken."

The Mexican government is understood to have taken soundings at senior level in the US State Department and the office of President Bill Clinton's trade representative about how Washington would respond if Mr Salinas stood.

If he did, he would be the most heavyweight political figure yet to enter the contest. The two declared candidates so far are Mr Renato Ruggiero, an Italian former trade minister, and Mr Rubens Ricupero, Brazil's finance minister.

However, Mr Salinas' entry might divide political opinion in Latin America and upset the Brazilian government.

President Salinas is obliged to stand down as Mexican president at the end of his six-year term in December, when he would be free to assume the WTO post. However, for domestic political reasons, he cannot be seen to campaign too openly for the job before the presidential election in late August.

The decision on the WTO leadership is expected to be taken in late autumn, after consultation among Gatt's members.

As leader of an important emerging economy, who has strongly espoused liberalisation and reform, Mr Salinas would be likely to exercise wide appeal. Although Gatt has been headed until now by Europeans, most of its members are developing countries which would like the WTO to be headed by one of their own.

The new central bank governor, Mr Micah Cheshire, acknowledged a series of frauds earlier this year and is trying to recover the funds that were lost in the \$210m foreign exchange fraud.

What world donors did not know, Page 8

## Kenyan central bank used false account to hide fraud

By James Harding and Michael Holman in London and Leslie Crawford in Nairobi

A UK subsidiary of Banque Indosuez, the Paris-based merchant bank, last year created an account for a fictitious \$100m deposit for the Central Bank of Kenya (CBK) which was used by the CBK to conceal a foreign exchange fraud from international creditors.

The account was due to close six months later after the completion of an investigation into mismanagement at the central bank and a meeting of Kenya's aid donors, chaired by the World Bank in November. However, Banque Indosuez insists that it was unaware of the CBK attempt to conceal the fraud.

CBK closed the account once its existence had been uncovered by the International Monetary Fund, which had been examining Kenya's servicing of its foreign debt. A second account for a fictitious \$100m, which also artificially inflated Kenya's foreign exchange reserves, was uncovered at a UK subsidiary of another international bank, and also closed.

In June last year, Banque Indosuez Sogem Aval agreed to make a "book entry" to the account of CBK for a "notional deposit" of \$100m although "no transfer of funds was involved", according to a copy of the contract obtained by the Financial Times.

Mr François Vilkar, communications director at Banque Indosuez in Paris, acknowledged that the CBK approached Indosuez Aval "wanting to do window dressing before the visit of IMF officials". He explained that in order "to make things look absolutely normal" Indosuez Aval made interest payments on the fictitious deposits using monies made available from a Central Bank advance.

However, Mr Vilkar says that the CBK did not identify that a fraud was being concealed. The creation of fictitious for-

ign exchange deposits was part of an exercise by CBK intended to mask funds missing after Exchange Bank, a Kenyan commercial bank, defaulted on a foreign exchange forward contract worth KSh5.9bn.

Exchange Bank was closed by reformist finance minister Musa Mudavadi in July last year. Exchange Bank's owner, Mr Kamlesh Patel, a Kenyan entrepreneur, was arrested last week on 20 separate charges of stealing from the central bank. Four of the former senior CBR officials, of whom two were signatories to the Indosuez Aval contract, have also been arrested for alleged theft from the central bank.

The new central bank governor, Mr Micah Cheshire, acknowledged a series of frauds earlier this year and is trying to recover the funds that were lost in the \$210m foreign exchange

fraud.

However, Mr Vilkar says that the CBK did not identify that a fraud was being concealed.

## Bonn's doubts

Continued from Page 1

partly because German companies were trying to free themselves from EU social legislation. "German companies are looking to invest here to shield themselves from the responsibilities of the social chapter," he said.

Mr Rexrodt took a different view, saying that the problem of German labour costs and social policy rigidities was not linked to the social chapter.

## Record low Dutch turnout

Continued from Page 1

Europeans could play no constructive role in the European Parliament, where Denmark's position would therefore be weakened.

The remaining results, according to a Danish Broadcasting Company exit poll, were Radical Liberal party 6.7 per cent (2.8 per cent in 1989), Centre Democrats 1.3 (7.9 per cent), Socialist People's party 9.9 per cent (9.1 per cent).

Conservative managers believe that a late swing to the party could allow it to hold up to 20 seats.

At present, Mr Ruggiero is clear favourite as the EU candidate for the WTO post.

However, support from Washington might prove a mixed blessing.

There has long been speculation that Mr Salinas, who is 46, would seek a senior international post after leaving the presidency.

He also appeared to attract some support from Mr Pedro Solbes, Spain's finance minister.

In practice, however, the Spanish government is likely to go along with the choice of other European Union governments, since it wants their support for the candidacy of Mr Enrique Barón, former speaker of the European Parliament, as secretary-general of the European Union.

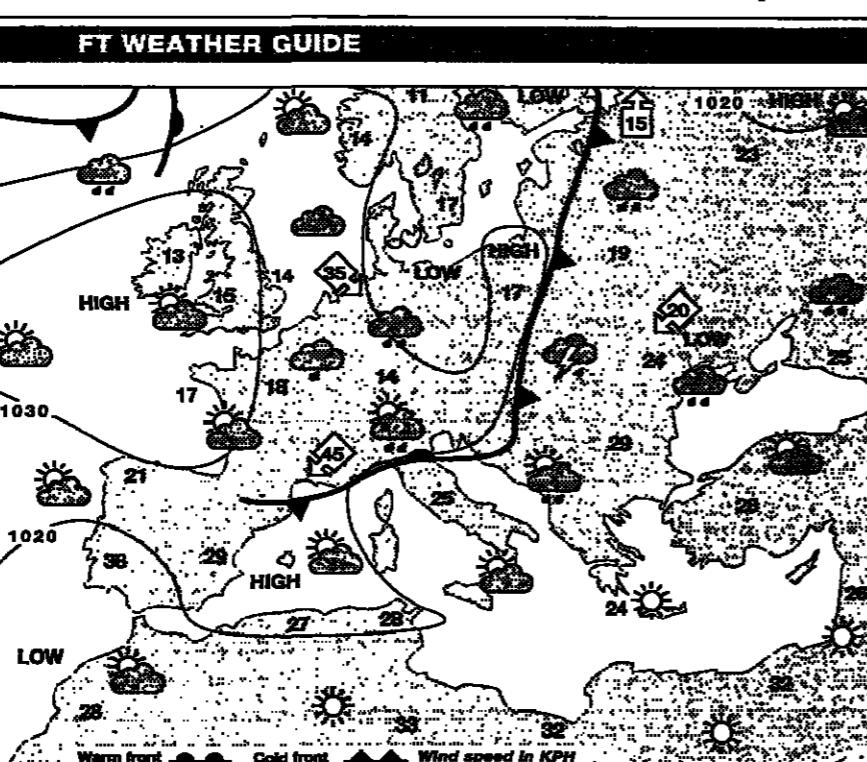
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## Europe today

Showers and thunderstorms will occur over former Yugoslavia, southern Hungary and Austria near a boundary separating cool air in the west from warm and humid air in the south-east. Scattered showers and thunderstorms will occur just north of the Black Sea. Germany, the Low Countries and northern France will be cloudy with outbreaks of rain and unseasonably low temperatures. Sunny spells are expected later in western Belgium and the Netherlands. Southern Europe will stay sunny although Italy may have showers. Temperatures will reach tropical values in Spain. Scandinavia and Denmark will remain unsettled with low temperatures and outbreaks of rain, mainly in eastern areas.

## Five-day forecast

A building ridge of high pressure will provide calm conditions in western Europe. The northern UK and southern Scandinavia will stay rather unsettled. Elsewhere, sunny periods will prevail along with a warming trend in France and the Low Countries. A cluster of showers will drift from Italy towards Greece during next week. Spain will remain hot and sunny.



## TODAY'S TEMPERATURES

	Maximum Celsius	Beijing	fair	34	Caracas	fair	27	Faro	fair	30	Rangoon	cloudy	32	
Abu Dhabi	sun	37	Belgrade	showers	24	Copenhagen	cloudy	26	Geneva	cloudy	17	Malta	fair	26
Accra	cloudy	31	Berlin	rain	19	Chicago	cloudy	26	Gibraltar	cloudy	23	Manchester	cloudy	22
Algiers	fair	32	Bogota	rain	21	Dresden	fair	24	Glasgow	cloudy	18	Montevideo	showers	24
Amsterdam	showers	14	Bogota	fair	18	Dublin	cloudy	18	Hamburg	rain	17	Madrid	fair	27
Athens	sun	28	Bonnie	fair	25	Dallas	sun	32	Helsinki	showers	18	Madrid	fair	27
Atlanta	cloudy	33	Brussels	showers	15	Dallas	fair	48	Hong Kong	rain	28	Madrid	fair	28
B. Aires	sun	26	Budapest	showers	22	Dubai	fair	48	Hong Kong	rain	28	Milan	fair	28
B. Jarn	fair	16	Chilean	rain	15	Dublin	cloudy	48	Istanbul	sun	27	Montreal	rain	18
Bangkok	showers	30	Cairo	sun	25	Dublin	cloudy	48	Istanbul	sun	25	Montreal	rain	18
Barcelona	sun	24	Cape Town	sun	25	Dubrovnik	thunder	28	Jakarta	sun	32	Montevideo	rain	27
Brussels	sun	24	Edinburgh	fair	17	Edinburgh	fair	48	Madrid	fair	31	Montevideo	rain	28
Frankfurt	sun	24	Edinburgh	fair	17	Edinburgh	fair	48	Malta	fair	31	Montevideo	rain	28
London	sun	24	Edinburgh	fair	17	Edinburgh	fair	48	Malta	fair	31	Montevideo	rain	28
Lisbon	sun	24	Edinburgh	fair	17	Edinburgh	fair	48	Malta	fair	31	Montevideo	rain	28
London	sun	24	Edinburgh	fair	17	Edinburgh	fair	48	Malta	fair	31	Montevideo	rain	28
Luxembourg	rain	15	Paris	cloudy	19	Paris	cloudy	48	Montevideo	rain	31	Montevideo	rain	28
Lyon	cloudy	19	Perth	rain	19	Perth	rain	48	Montevideo	rain	31	Montevideo	rain	28
Madrid	fair	26	Prague	fair	26	Prague	fair	48	Montevideo	rain	31	Montevideo	rain	28

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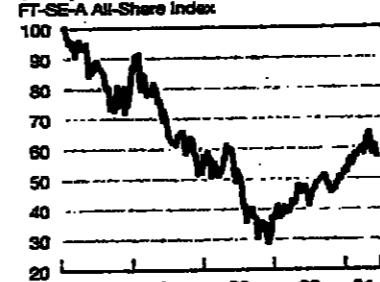
## THE LEX COLUMN

### Cash power

FT-SE Index: 3028.9 (-9.3)

Pilkington

Share price relative to the FT-SE All-Share Index



Source: FT Graphics

UK construction to textiles in Malawi.

While progress in hotels and distribution is more encouraging, Louhro's 2 per cent return on sales outside Africa is hardly adequate. The group's weak cash flow also limits its room for manoeuvre.

Gearing of around 30 per cent is no longer a worry, but interest payments of £22m in the first half continue to soak up free cash flow. That may explain Louhro's desire to float its African trading activities, which would open



## INTERNATIONAL COMPANIES AND FINANCE

## UK electricity generator seeks to exchange assets

By Michael Smith in London

PowerGen, the UK electricity generator, yesterday indicated a preference for an assets swap with an overseas company as it revealed a 20.5 per cent rise in dividend payments on the back of last year's 2.476m (\$317m) pre-tax profits.

Mr Ed Wallis, chief executive, said a cross-border deal was the company's favoured option to fulfil an agreement with the electricity regulator to try to dispose of 2,000MW of generating plant.

The company had been approached by about 20 parties interested in buying the plant but considered only a handful to be serious, Mr Wallis said. However, any disposal could take time to achieve.

In the year to April 3, PowerGen's pre-tax profits of 2.476m

represented a 12 per cent rise on 1992-93's £225m.

This was in spite of a £24m net increase in provisions and an 8 per cent reduction in sales to £2.94bn.

A lower tax charge enabled

the company to lift earnings per share by 20.5 per cent to 44p (38.5p) and the dividend for the year to 12.65p (10.5p) after a final of 8.1p. Cover remained at 3.5 times earnings against a policy of reducing it to between 2.5 and 2.7.

Mr Wallis said market share, down 1 percentage point to 26 per cent, was likely to fall further and could reach 24 per cent in 1995-96. He expected it to rise again as new capacity came on stream. Staff numbers fell 11 per cent to 4,399 and salaries and overhead costs were down from £566m to £428m.

Lex, Page 16

## Baltica claims against ex-parent

By Hilary Barnes in Copenhagen

Baltica Insurance, the Danish insurance company, is claiming up to DKK50m (\$81m) in compensation from its former parent, Baltica Holding, now known as Gefion.

Baltica Insurance's claim arises because the former parent company last year sold shares owned by Baltica Insurance in the French insurer, Victoire, for DKK1bn. But the buyer - Victoire's parent, Suez - revealed it had paid

DKr1.36bn for the shares.

Baltica Insurance wants to know how the difference arose and believes it has a claim against Gefion for at least DKK36m and up to DKK50m, according to Gefion yesterday. Gefion rejects the claim.

The dispute is the latest twist in a long saga, which led to the collapse of Baltica Holding last year, when it was rescued by a capital injection from Den Danske Bank, the largest Danish bank. This left Gefion as a minority shareholder in Baltica Insurance.

the next five years, from 42 per cent.

It hopes to win the contract for France's third mobile phone network for which it is bidding against two rival consortia.

### ING seeks Polish insurance licence

Internationale Nederlanden Groep (ING), the Amsterdam-based banking and insurance group, has applied for a life insurance licence in Poland, Reuter reports from Warsaw.

It planned to start with a share capital of 30m zlotys (\$1.3bn) and to lift it to more than 200m zlotys in the third year.

Mr Worms said Suez did not need to sell Victoire to raise

money for its ongoing operations but if it did sell, it could use the funds for further corporate moves.

**Suez decision on Victoire in June**

Suez will announce its decision on Victoire, its insurance unit, at its shareholders' meeting on June 15. Mr Gerard Worms, chairman, said yesterday, Reuter reports from Paris.

Mr Worms said Suez did not need to sell Victoire to raise

## Aga takes 35% stake in Russian gas group

By Christopher Brown-Humes in Stockholm

Aga, the Swedish industrial gas group, has taken a 35 per cent stake in Belashina Kislarduyi Zavod (BKEZ), Belashina Oxygen Plant, one of Russia's two largest industrial gas groups.

Gearing rose to 15 per cent at the year-end. During the year PowerGen paid the full £441m costs of developing its Canham's Quay gas station, reducing the total cost by £5m.

Mr Wallis said three of the company's four new business areas - offshore gas, gas trading, and combined heat and power - were UK-based. In the fourth, overseas, the company did not need to take the corporate acquisitions route, for example, building power plant in other countries.

The group aims to become the majority owner in BKEZ this summer and eventually take full control.

It has acquired a majority stake in a gas company in Kaliningrad and has a small operation in St Petersburg. It is looking at other opportunities, including Lentechnogas in St Petersburg, Russia's other big industrial gas group.

BKEZ has 360 employees and annual sales of NKR45m (\$5.7m). It is the largest industrial gas company in the Moscow area, with considerable production and distribution capacity for oxygen, nitrogen and argon.

It is also the leading company in the former Soviet Union for ultra-pure gases and gas mixtures.

Mr Lars Källsäter, an Aga vice-president, said the company had bought its initial stake through a tender from a state property fund. The fund is left with a 14 per cent holding, most of which is soon to be auctioned, with the remaining 51 per cent held by the group's employees.

Mr Källsäter declined to say how much Aga had paid for the shares, but said commitments to invest in plant equipment and modernisation had been as important as price in the tender selection process.

He said the main challenge was to increase energy efficiency and supply modern air separation capacity.

"We see the risks in Russia but also the opportunities. If there are setbacks, it is relatively easy for us to reduce our activity and still survive with this type of operation," he said.

Aga has been an active investor in eastern Europe. Apart from Russia, it has invested in the three Baltic states, Hungary, Poland and the Czech Republic.

It planned to start with a share capital of 30m zlotys (\$1.3bn) and to lift it to more than 200m zlotys in the third year.

The fall was due mainly to the positive effect of exceptional items on 1993 figures.

The 1993 result was lifted by exceptional items of NKR1.2m.

If this was excluded the pre-tax profit for the period would have been NKR6m.

Group sales were reduced by NKR24m to NKR5.28m as operating profits fell to NKR7m from NKR13m.

Aker blamed the fall in sales on a lower level of activity in the oil and gas technology division.

The cement and building materials division plunged into

## Strong demand for KPN flotation

By Ronald van de Krol in Amsterdam

The partial flotation next week of Koninklijke PTT Nederland, the Dutch telecommunications and postal company, is nearly three times oversubscribed, with strong demand from foreign and domestic investors, said manager ABN Amro yesterday.

With 13.15m shares on offer, investors had put in applications for about 35m shares by the time subscriptions closed early yesterday afternoon.

Allocation of shares will be determined over the weekend,

with an announcement expected on Monday, clearing the way for the first trading in KPN shares on the Amsterdam stock exchange later that day.

The government, which offered small private investors a discount to encourage broad participation in the issue, had said earlier that private shareholders would receive unspecified preferential treatment in allocations. Details must still be worked out by the banking syndicate and their advisers.

The shares were priced at F149.75 each on Monday. Private investors will receive a discount of F1.50 per share, up to a maximum of 75 shares.

The strong demand makes it likely that the banking syndicate will exercise its option to buy an additional 20.7m shares over the next 30 days to meet heavy demand.

This would raise a further F1bn for the Dutch state.

ABN Amro declined to give a breakdown of demand, saying the precise number of applications would not be known until today. However, the government's aim has been to sell half of the shares at home and half overseas. It wanted to encourage wide participation among private investors.

Experienced private investors began filing applications as soon as subscriptions opened on Monday, but first-time share investors had tended to wait until Wednesday to take part, the bank said.

## Aker profits cut to NKR41m

By Karen Fossli in Oslo

Aker, the Norwegian cement, building materials and oil and gas technology group, yesterday reported four-month pre-tax profits had more than halved to NKR41m (\$5.7m) from NKR87m in the same period last year.

The fall was due mainly to the positive effect of exceptional items on 1993 figures.

The 1993 result was lifted by exceptional items of NKR1.2m. If this was excluded the pre-tax profit for the period would have been NKR6m.

Group sales were reduced by NKR24m to NKR5.28m as operating profits fell to NKR7m from NKR13m.

Aker blamed the fall in sales on a lower level of activity in the oil and gas technology division.

The cement and building materials division plunged into

a pre-tax loss of NKR63m from a profit of NKR30m last year, as sales rose by NKR63m to NKR1.75m.

Aker said that the domestic construction and civil engineering market had begun to show growth activity in the UK was on the rise and there was continued high activity in the international cement business.

The oil and gas technology division lifted pre-tax profit to NKR12m from NKR10.5m, as sales dipped to NKR3.22b from NKR3.65b.

Aker warned that a continuing low oil price and postponement of development projects was limiting development activity. The division had an order reserve of NKR8.5bn at end-April, against NKR10bn at the end of 1993.

Norske Skog, the Norwegian pulp, paper and building materials producer, reported four-month pre-tax losses narrowed

## Fortis rises 35% in first three months

By Emma Tucker in Brussels

Fortis, the Dutch-Belgian financial services group, posted a 35 per cent increase in net profits to Ecu109.7m (\$95.4m) in the first three months.

In insurance, pre-tax results rose by 19 per cent to Ecu132.9m, while profits in the banking sector almost quadrupled to Ecu3.1m.

The group - jointly owned by Amev of the Netherlands and Groupe AG of Belgium - said the sharp increase was attributable to successful operations in most of Fortis' businesses.

The profit for Groupe AG, the insurance company, was BFr1.85bn (\$54.5m) in the first quarter, up 35 per cent on the same period a year ago. But Mr Maurice Lippens, president of Groupe AG, said full-year 1994 profit growth for both Groupe AG and its joint venture Fortis was unlikely to reach the high levels of the first quarter.

He added that profits for Groupe AG were high in the first quarter as costs had been kept closely in line with last year's levels.

Profit per Groupe AG share rose by 35 per cent in the first three months of the year to BFr54.3, from BFr40.2 in the same period of 1993.

Fortis announced that from yesterday, its two parent companies - Groupe AG and Amev - would be known as Fortis AG and Fortis Amev respectively.

## Finnair returns to black for year

By Christopher Brown-Humes

FM415m deficit the previous year.

A FM0.30 per share dividend is proposed.

Group turnover was 8 per cent higher at FM5.89bn, with a 15 per cent increase in cargo and mail traffic helping to compensate for a 15 per cent drop in passenger numbers.

Higher turnover, cost-cutting and lower financing costs helped the airline report a profit after financial items of FM112m (\$20.5m) in the year to March 31, compared with a

profit of FM183m, against a FM105m loss.

The airline said it was cautious about prospects in 1994-95, in spite of an upturn in domestic air transport demand after four years of decline. It noted that intensified international competition had caused price cuts.

The Finnish government recently said it would seek parliamentary approval for plans to cut state ownership in Finnair to as little as 50.1 per cent from its current 72 per cent.

Dividend No. 20 of 145 cents per preference share for the six months ending 30 June 1994 has today been declared in South African currency, payable to preference shareholders registered in the books of the company at the close of business on 24 June 1994.

Warrants payable on 27 July 1994 will be posted to preference shareholders on 26 July 1994.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 24 June 1994, in accordance with the above-mentioned conditions.

The register of members will be closed from 25 June to 1 July 1994, inclusive.

per pro GOLD FIELDS CORPORATE SERVICES LIMITED  
London Secretary,  
S.J. Dunning, Secretary  
United Kingdom Register:  
Barclays Registrars  
Bonne House  
34 Beckenham Road  
Beckenham, Kent BR3 4TU

9 June 1994

per pro GOLD FIELDS CORPORATE SERVICES LIMITED  
London Secretary,  
S.J. Dunning, Secretary  
United Kingdom Register:  
Barclays Registrars  
Bonne House  
34 Beckenham Road  
Beckenham, Kent BR3 4TU

9 June 1994

### NOTICE TO FURNISH INFORMATION ON FLIGHT INSPECTION SYSTEM

1. The Civil Aviation Authority of Pakistan is planning to modernize/upgrade its Flight Inspection System presently installed in Beechcraft Super King 200 Aircraft.

2. The desired semi-automatic Flight Inspection System should be capable of calibrating all the modern Communication, Navigation and Surveillance facilities in use at various airports of the world. A provision for future installation of GPS and MLS should also be made available in the system and quoted separately for price.

3. The calibration system/console is to be capable of fitting in Beechcraft Super King 200 Aircraft.

4. The interested firms are invited to furnish details of their system budgetary prices and time schedule for fabrication and installation of calibration console in the Aircraft on turnkey basis.

5. Participating firms may be called upon to give presentation on the capabilities of their equipment at CAA Headquarters, Karachi.

6. The detailed information along with break-down of price and supporting literature must reach Director Technical Services, Headquarters Civil Aviation Authority, 19 Liaquat Barracks, Karachi-4, Pakistan in sealed envelopes through secured mail by 1200 hours on 10th July, 1994.

7. Firms are requested to participate directly and not through their representatives or commission agents.

8. All correspondence is to be kept strictly confidential.

9. Any additional information required by the participating firms can be had from Director Technical Services (Fax: 092-21-514497).

GENERAL MANAGER SUPPLY  
Headquarters Civil Aviation Authority  
Karachi, Pakistan.

### European Investment Bank

Italian Lira 200 Billion Floating Rate Notes  
and  
Italian Lira 300 Billion Floating Rate Notes  
due March 1996

Notice to the Holders

Notice is hereby given that the Notes will carry an interest rate of 7.51563% per annum for the period 07.06.1994 to 07.09.1994.

• ITL 96,033 per ITL 6,000,000 nominal

• ITL 96,033 per ITL 50,000,000 nominal

Luxembourg, June 10, 1994

### U.S. \$500,000,000

## INTERNATIONAL COMPANIES AND FINANCE

## Rhône-Poulenc clarifies action for US interest

By Richard Waters

In New York

Rhône-Poulenc, the French chemicals group, yesterday said it would not take any steps involving its 68 per cent interest in US drugs group Rhône-Poulenc Rorer without first consulting the company's management.

Earlier this week, the US company's shares leapt on news that its French parent was considering various options, including "transactions relating to business combinations, mergers or transfers of assets or securities".

The stock market saw that statement, contained in a filing with the Securities and Exchange Commission, as an indication that Rhône-Poulenc was considering buying out the remainder of its US subsidiary's shares.

Yesterday, in another filing with the SEC, the French company laid out consultation procedures it would go through if it planned to take any action. The company said the timing of the latest filing was purely an administrative matter.

## French groups join global satellite telephone system

The French telecommunications groups Alcatel Alsthom and France Telecom will join Globalstar, a global satellite-based mobile telephone system formed by US groups Loral and Qualcomm, AP-DJ reports from Paris.

Loral said France Telecom would own a 51 per cent interest in a joint venture with Alcatel, which will hold 49 per cent. Total investment in the year 2002

## Reynolds Metals in Saudi venture

Reynolds Metals, the world's third-largest producer of aluminum cans, is to build an aluminum beverage can plant in Damman, Saudi Arabia, with four local partners, writes Laurie Morse in Chicago.

The US group's partners in

the venture, in which it holds a 27.5 per cent stake, include the Olayan Group, which owns the Coca-Cola Bottling company of Saudi Arabia; the Olayan Financing Company, and two local soft drink and juice producers.

Mr Spielberg is expected to be involved in developing a new line of software products for Knowledge Adventure. "I am thrilled to have Steven Spielberg involved," said Mr Gross. "I firmly believe that great educational experiences can be as exciting and engaging as entertainment."

## Hollywood invests in Silicon Valley

By Louise Kehoe

in San Francisco

Mr Steven Spielberg, the Hollywood producer and director, is to collaborate with Knowledge Adventure, a California multimedia software company, in developing educational software for children.

Mr Spielberg has also invested in Knowledge Adventure, a privately-held company which is best known for its "Dinosaur Adventure" and "Space Adventure" titles that incorporate rich graphics and videos.

Terms of the investment were not revealed.

The collaboration brings one of Hollywood's best-known directors together with a leader in the multimedia software field. Mr Spielberg's recent successes include *Jurassic Park* and *Schindler's List*. He is renowned for his use of new technology in filmmaking.

"I've been following the growth in the multimedia software industry with great interest," said Mr Spielberg. "In particular, I've been impressed with the work being done at Knowledge Adventure."

Mr Spielberg's interest in the field of interactive computer software reflects growing ties between Hollywood and Silicon Valley as the entertainment and digital technology fields increasingly overlap.

Mr Spielberg said he has found common interests with Knowledge Adventure founder and chairman Mr Bill Gross.

"Our sons are about the same age, and we are both devoting our energies to creating great experiences for them. I'm anxious to participate in innovative, enriching educational software," said Mr Spielberg.

Mr Spielberg is expected to be involved in developing a new line of software products for Knowledge Adventure. "I am thrilled to have Steven Spielberg involved," said Mr Gross. "I firmly believe that great educational experiences can be as exciting and engaging as entertainment."

## Zenith Data climbs back into the ring

The French-controlled PC manufacturer could break even this year, writes Alan Cane

**T**ough controls on costs and quality together with a strategic collaboration with Packard Bell are at the heart of a turnaround at Zenith Data Systems which suggests the French-owned personal computer manufacturer could break even this year.

The company, formerly the computer arm of Zenith Electronics, has been a heavy loss maker since its acquisition by Groupe Bull in 1989.

Analysts have attributed a substantial part of Bull's FFr15bn (\$2.64bn) losses over the past three years to problems at the Chicago-based manufacturer, which until recently has been losing money on every personal computer it made.

Now that the French government has made it clear that Groupe Bull is to be privatised, the performance of its troubled personal computer arm has assumed a new importance.

Mr Jacques Noels, chairman and chief executive since January 1993, says there were three chief areas of concern when he took over.

First, quality. Returned systems and repairs cost the company some 20 per cent of its \$1bn revenues last year. Second, the lack of a line of low-cost, entry-level systems. Third, profitability.

Mr Noels, quietly-spoken with a fastidious attention to detail, set out on a "quality overkill" mission. Engineering and manufacturing practices were overhauled in response to information about faults collated by ZDS field staff. ZDS sales people were encouraged to join customers in opening the cartons containing newly delivered systems: "All sorts of things happen during transportation," Mr Noels says darkly.

The result has been, Mr Noels claims, a drastic improvement. Now the cost of faulty systems is less than 2



Jacques Noels: ZDS chairman on a 'quality overkill' mission

per cent of sales. According to a survey carried out in the US by the consultancy J. D. Power & Associates, ZDS now ranks third behind IBM and Apple and just ahead of Compaq in quality.

The problem of an entry level PC line was mainly solved by the decision last year to buy a 19.9 per cent stake in Packard Bell of the US, the largest supplier of low-cost personal computers to retail chains such as Sears, Roebuck and Wal-Mart.

ZDS and Packard Bell develop and manufacture desktop computers to retail computer manufacturers. The overall cost of research and development has been cut from 7 per cent of revenues to 2% per cent

through the association with Packard Bell.

Overall, sales, general and administrative costs together with research and development expenses have been cut from 35 per cent in the middle of last year to 14 per cent now, helped by a reduction of 200 in the company's 1,700-strong workforce.

The results can be seen in the company's results. Revenues are expected to reach \$1.3bn to \$1.4bn this year, about a 30 per cent improvement on the year before. In the first quarter, worldwide sales were 73 per cent on the corresponding period last year, with especially strong growth seen in North America. The loss was about \$10m on \$300m of sales.

Mr Noels aims now is to establish ZDS as a global force in what he describes as "connected computing", the best way to network together machines from both the same and other manufacturers.

A first step was the introduction this year of a workgroup server designed in conjunction with the leading networking software supplier, Novell, to make networking simple and affordable. It won a prize at CeBit, the computer exhibition in Hanover, Germany.

The big prize for Mr Noels, however, remains to return ZDS to real and sustained profitability.

## Three suits filed to block Times Mirror cable deal

By Louise Kehoe

Three law suits have been filed against Times Mirror, the US media group, seeking to block the proposed sale of its cable television operations to Cox Enterprises.

Times Mirror said it was in the process of studying and evaluating the complaints.

One of the suits, filed by a shareholder, raises objections to the terms of the deal relating to Chandler family trusts. The Chandler family holds a 55 per cent controlling interest in Times Mirror.

Under the terms of the agreement with Cox, Times Mirror shareholders will receive stock in Cox Cable, a subsidiary of Cox Enterprises, as part of the proposed transaction.

## Mexican steel group completes \$110m loan

Alto Hornos de Mexico (AHMSA), a Mexican steel company, has completed a six-year, \$110m syndicated loan secured by export receivables, writes Tracy Corrigan. The facility was arranged by J.P. Morgan Securities.

Proceeds from the loan will be used to refinance AHMSA's short-term, peso-denominated debt.

The loan consists of two tranches. The first tranche was priced at 250 basis points above the London interbank offered rate (Libor) and the second tranche at a fixed rate equal to 270 basis points above the 3% year US Treasury yield.

## Canadians withdraw from bidding for Air Jamaica

By Canute James in Kingston

was in the best interests of the project that the arrangements made with Cochrane be terminated," said Mr Peter Roussouw, chief negotiator for the purchasers.

The consortium is seeking a replacement, and appears set to reach an agreement with Mr Gordon Stewart, one of the Caribbean's leading hoteliers. Mr Stewart would not be drawn on whether he would become involved in the deal.

The agreement with the consortium, first announced a month ago, will leave the government with a 25 per cent stake in Air Jamaica, with 5 per cent being offered to the company's employees.

## The Successful Way Into Middle East Banking



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## NOTICE OF EARLY REDEMPTION

### CITIZENS FIRST BANCORP, INC.

(the "Company")

US\$20,000,000

6 1/4 % Convertible Subordinated Debentures Due August 1, 2001  
(the "Debentures")

NOTICE IS HEREBY GIVEN that pursuant to Article 3 of the Indenture, the Company will redeem all outstanding Debentures at the redemption price of 100% of the principal amount on August 1, 1994 and interest thereon shall cease to accrue on that date.

Payment of principal and interest will be made against surrender of Debentures or Coupons at the specified office of any of the Paying Agents listed below. Such payments will be made by dollar check drawn on a bank in New York City or by transfer to a dollar account maintained by the payee in a European City. Each Debenture should be presented for payment together with all unmatured Coupons. Such unmatured Coupons (whether or not attached thereto) shall become void and no payment shall be made in respect thereof.

Subject to and upon compliance with provisions to Article 10 of the Indenture, at the option of the Holder thereof, any Debenture may, at any time prior to the close of business on the Business Day immediately preceding the date fixed for redemption (August 1, 1994) be converted into duly authorized, validly issued, fully paid and non-assessable shares of Common Stock. As a result of a downward adjustment pursuant to the procedures set forth in Clause (1) of Section 10.05 of the Indenture, the conversion price of the Debentures was adjusted to \$10.27 per share effective as of September 30, 1992. No payment or adjustment will be made for accrued interest on a convertible Debenture, except if a Debenture is presented and surrendered for conversion after the date of this Notice of Early Redemption (the "Notice") (which date shall be the date such Notice is first published), the Debenture holder shall be entitled to receive accrued interest to the date of such Notice, together with the share of Common Stock into which the Debenture is converted. Any such payment of accrued interest shall be made through a Conversion Agent located outside the United States by check in the manner provided for payment in New York of fractional shares as provided in Section 10.03 of the Indenture.

#### PAYING AND CONVERSION AGENTS

Morgan Guaranty Trust

Company of New York

60 Victoria Embankment

London EC4Y 0JP

Morgan Guaranty Trust

Company of New York

Avenue des Arts 35

B-1040 Brussels

Morgan Guaranty Trust

Company of New York

14 Place Vendôme

75001 Paris

Banque de Luxembourg S.A.

103 Grand Rue

1661 Luxembourg

Dated: June 10, 1994

FT Surveys

**ALTUS FINANCE USD 200,000,000 - FRN 1990/2000**  
Bondholders are hereby informed that the rate applicable for the ninth period of interest has been fixed at 4.9375%.  
The coupon N° 9 will be payable on December 8th, 1994 at the price of:  
- USD 260.99 for the USD 10 000 nominal amount of notes  
- USD 2509.90 for the USD 100 000 nominal amount of notes.  
The period has 183 days of interest as from June 8th, 1994 to December 7th, 1994. The Reference Agent and Fiscal Agent  
**CREDIT LYONNAIS**

Direct Mail

For further information please contact:

ALICIA ANDREWS

Tel: 44 (0) 71 873 3565

Fax: 44 (0) 71 873 3062

Financial Times, Number One Southwark Bridge, London SE1 9HL

FT Surveys

**Citicorp Banking Corporation**  
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Unconditionally Guaranteed on a Subordinated Basis by

CITICORP

Subject to Paragraph (d) of the Terms and Conditions of the Notes notice is hereby given that the period in respect of Coupon No. 40 will run from June 27, 1994 to September 27, 1994. A further notice will be published advising of the date and Coupon amount payable.

June 10, 1994

Dr. Charles, P.A. (Issuer Services), Agent Bank

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## FULL YEAR RESULTS 1994

*"This has been a good year for Johnson Matthey in which all our divisions have earned higher profits. The new year has started well and I look forward to a period of exciting growth".*

DAVID DAVIES, CHAIRMAN

	1994	change
Operating profit	£81.7m	+14%
Profit before tax and exceptional items	£77.1m	+10%
Earnings per share (excluding exceptional items)	27.6p	+7%
Dividend for year	11.4p	+11%

# Johnson Matthey

WORLD LEADER IN PRECIOUS METALS TECHNOLOGY

For a copy of the Annual Report, to be published on 20th June 1994, please contact:

The Secretary, Johnson Matthey Plc, 2-4 Cockspur Street, London SW1Y 5BQ.

The contents of this advertisement, for which the Directors of Johnson Matthey Plc are solely responsible, have been approved for the purpose of section 57 of the Financial Services Act 1986.

## INTERNATIONAL COMPANIES AND FINANCE

### Investment yields fall at Japan's life insurers

By Gerard Baker  
in Tokyo

Lower interest rates and weak overseas returns produced a substantial drop in the investment yield at Japan's eight largest life insurance companies in the year to the end of March.

Results published yesterday showed a decline of 0.5 per cent in the companies' yields to an average of less than 4 per cent. The fall forced the insurers to cut policyholder dividends for the fourth year in succession.

The companies blamed the global trend towards lower interest rates last year and the sharp rise in the yen, which reduced profits from overseas securities.

The decline in investment yield has heightened fears that most of the companies are now technically unable to meet their liabilities to investors.

The life insurers are all mutual companies owned by

#### Japanese life insurers: Year to March 1994 (Y bn)

	Premiums	Change on income year (%)	Total assets	Change on year (%)	Investment yield (%)	1993-94	1992-93
Nippon Life	5,790	+3.7	34,719	+8.3	3.45	4.16	
Daishi Mutual Life	4,034	+0.3	24,295	+7.5	3.35	3.90	
Sumitomo Life	3,615	+1.3	21,398	+8.0	3.91	4.14	
Meiji Mutual Life	2,586	-0.7	14,825	+8.1	4.16	4.31	
Asochi Mutual Life	1,922	+3.9	11,169	+8.0	4.00	4.54	
Mitsui Mutual Life	1,664	+1.2	8,255	+8.9	3.81	3.80	
Yasuda Mutual Life	1,638	+7.8	8,182	+10.2	3.92	4.31	
Chiyoda Mutual Life	1,020	+5.0	6,317	+5.6	4.25	4.72	

Source: Company reports

their policyholders and are the largest group of institutional investors in Japan.

In the late 1980s most companies wrote policies which guaranteed their members greater returns on their assets than they have subsequently been able to earn.

Most analysts believe the Japanese insurers need an investment yield of at least 4.6 per cent to meet their liabilities.

This figure is substantially higher than yields

achieved in the last few years.

But insurance law permits life insurance companies to count unrealised profits on equity holdings as profits, without requiring them actually to sell the shareholdings. All eight leading companies took advantage of the rule in the last year.

Companies are now counting

nearly Y11,000bn (\$104.5bn) in hidden equity gains as profits to bolster their capacity to meet their liabilities, an

increase of nearly 30 per cent on last year.

Income from premiums and new policies rose strongly in the second half of the year, offsetting an unprecedented fall in the first six months, and securing a 2.6 per cent increase for the eight insurers together.

Total assets rose by 8.4 per cent to more than Y130,000bn.

Several of the companies face additional difficulties with substantial portfolios of bad debts.

One-third of Japanese insurers' assets are in the form of loans, and during the so-called "bubble economy" years of the late 1980s, some of them pursued increasingly imprudent lending policies, and have since found themselves burdened with large quantities of problem loans.

Worst hit was Sumitomo Life, whose chairman, Mr Yasuhiro Ueyama, is to resign following the company's admission that its non-performing loans rose by 32 per cent in the year to March.

Most of the loans were to

Sumitomo Life's non-bank financial affiliates, a lending policy actively encouraged by Mr Ueyama.

In a placatory gesture to dis-  
gratified policyholders, most of

the companies also cut or kept unchanged executive bonuses that had already been reduced in the previous year. Despite this, the divisible surplus fell by nearly 27 per cent to Y1,246bn.

### Hardie down 75% in year but expects improvement

By Nikki Tait in Sydney

James Hardie, the Australian building materials and investment group in which Brierley Investments has taken a small stake, yesterday announced a 75 per cent fall in profits after tax and abnormals, to A\$14.2m (US\$10.4m) in the year to end-March.

However, the company said it expected "a very marked improvement" in the current financial year.

Revenues in the 12 months rose to A\$1.72bn, compared with A\$1.6bn in the same period a year earlier. The company's profits figure for 1992-93 was A\$66.5m (another profit figure is equity accounted).

Part of the tumble in profits derived from a larger abnormal item - A\$54.9m in 1993-94, compared with A\$16.1m in the previous year. About half of the latest figure related to restructuring and rationalisation efforts.

Even at the operating level, however, profits slipped to A\$54.9m from A\$70.3m in the previous 12 months. On the building products side, which accounted for most of the abnormal items, profits were up by one-fifth to A\$6.9m, on a 5 per cent sales gain.

Hardie forecast a continued improvement at its US arm, which moved from a loss of A\$10.9m in 1992-93 to a A\$6.2m profit last year. But the pipelines business saw profits fall to A\$18.6m from A\$30m.

The group's building services division also recorded a loss of A\$5.1m, compared with last year's A\$6.6m profit, due to the decline in non-housing construction in Australia and losses in New Zealand.

On an earnings per share basis, Hardie's profits equated to 3.8 cents, compared with 15.8 cents last time. However, in the light of the board's belief that the figures represented "a turning point", the final dividend was maintained at 6 cents a share, bringing the total for the year to 12 cents (fully franked), compared with 12 cents last time (70 per cent franked).

### WMC quits Australian nickel project

By Nikki Tait

Western Mining Corporation, the large Melbourne-based mining group, said yesterday that it was withdrawing from the Bulong Nickel Project in Western Australia.

As a result, Resolute Resources, the smaller Perth-based miner which previously had a 30 per cent interest in the project, will take a 100 per cent ownership interest and management control.

Resolute said it was anxious to take full advantage of the expected upturn in nickel prices.

The project was established more than three years ago to investigate the viability of a significant low-grade laterite nickel deposit, about 30km east of Kalgoorlie in Western Australia.

In statement yesterday, WMC said that studies had suggested that it would be more attractive to use a sulphur burning acid plant to process the deposits, rather than to use sulphur dioxide off-gases from the WMC's nickel smelter at Kalgoorlie.

Zimbabwe welcomed the proposal, but said tight foreign exchange rules must be removed first.

### NEC to increase business with Bull

By Michiyo Nakamoto  
in Tokyo

NEC, the Japanese electronics company, is to nearly triple its transactions with Bull, in a move to support the loss-making French computer company's financial and business position.

NEC said that trading with Bull, which is a subsidiary of

the French state-owned Groupe Bull was being raised from an annual Y5bn to Y7bn to just under Y20bn (\$192m) in the current fiscal year.

As part of the increase in business between the two companies, NEC is expected to supply Bull with telecommunications equipment and asynchronous transfer mode (ATM) switches for digital

transmissions in order to support the French company's operations in Europe.

ATM switches, which support multimedia communications, are relatively new in Europe and could provide Bull with a head start in this area, NEC said.

Bull, in turn, will provide NEC with software for networks, and other systems.

### Regional bourse planned for southern Africa

A grouping of 18 eastern and southern African countries is planning to set up a new stock exchange to help develop capital markets in the region, Reuters reports from Harare.

An official from the Preferential Trade Area (PTA) grouping said the exchange would allow cross-listing and trading in national securities, to boost cross-border investment and capital mobility. He did not say where the exchange would be located.

Zimbabwe welcomed the proposal, but said tight foreign exchange rules must be removed first.

### Lower profitability at South Korean banks

South Korean commercial banks reported lower profitability in 1993, hit by two cuts in interest rates and the increased burden of corporate taxes and internal reserve requirements, according to the Office of Bank Supervision, AP-DJ reports from Seoul.

He said the proposed bourse could enable member-countries to raise funds for development projects and allow cross-border investment.

The PTA official did not say where the bourse would be located, but analysts believe a likely choice to be Harare, the Zimbabwean capital.

Combined operating income

totalled Won2,900bn in 1993, up 11.6 per cent from Won2,600bn.

Combined assets expanded by 18.6 per cent to Won19.490bn, slower than the previous year's 19.9 per cent.

Bad debts, defined as debts on which payments on principal or interest are more than six months overdue, totalled Won2,930bn at the end of 1993, up 20.9 per cent.

In a report on the management of domestic banks, the banking regulatory body said that their after-tax net profits amounted to Won889.1bn (\$1.11m) in 1993, a 4.5 per cent decline on the previous year's Won931.4bn.

Combined operating income

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## COMPANY NEWS: UK

## Optimistic Pilkington strongly ahead

By Maggie Urry

The beginning of recovery in its markets, cost cutting and strong cash flow lifted pre-tax profits at Pilkington by 57.4 per cent to £72.4m in the year to March 31 before an exceptional profit on disposals of £25.4m.

Sir Antony Pilkington chairman, said there was now "cause for some optimism for the future" at the glass group. The total dividend was unchanged at 4p, with a 2.5p second interim payment, although earnings per share excluding exceptional were 2p (losses 1.9p).

He also announced the postponement of the flotation of 49

per cent of the group's Australian operations because of indigestion in the new issue market there. The group will look at the situation again in the autumn.

Mr Roger Leverton, chief executive, said the emphasis was now changing from cost cutting and cash conservation to improving margins. He hoped margins could be increased to around 10 per cent, although this would take two or three years. The restructuring of the group was largely complete, he said, following a number of disposals.

Pilkington, which had recorded annual profits above £300m before the recession, has cut costs by £200m a year over the last three years, Mr Leverton said. Another £70m or £80m of costs would go in the current year. The group's base business workforce had been cut by 20 per cent over the last three years. During 1993-94 1,700 jobs went and a further 1,300 were planned to go in the current year.

Gearing was close to reaching the 50 per cent target for the end of the current year. It fell from 70 to 53 per cent during 1993-94 and was now 55 per cent after the £20m sale of the insulation business.

Profits from building glass continued to fall, from £56.6m to £50.8m at the operating

level, as prices in continental Europe declined again. In the UK, sales rose by a quarter and market share increased to 52 per cent - thanks to the purchase of Heywood Williams distribution business at the start of the year. A 5 per cent price rise in February was holding. Profits were substantially better in North America, and South America and Australia were also good.

Automotive glass profits rose sharply, from £30.2m to £58.5m driven by higher volumes in America.

Group sales rose 6.4 per cent to £2.74bn, with continuing operations up 9.3 per cent to £2.52bn. Mr Andrew Robb,

finance director, said volume added 6 percentage points and the acquisition 5 points to sales, but lower prices took 2 points off.

Operating profits from continuing businesses were up 15.2 per cent to £91.2m, with total profits at £104.2m (£88m).

Investment income rose from £13.8m to £22.5m. Associates contributed £21.3m (£19.5m) and interest took £75.5m (£75.5m).

Mr Robb said the group was beginning to use tax losses in various territories which had enabled the tax charge to fall from £45m to £36m and the rate would continue to decline.

See Lex

## Judge to rule over Scrabble squabble

By David Blackwell

A High Court judge will next Tuesday be asked to decide on the squabble over Scrabble, the board game which is the main target for two US toy groups battling for control of J.W. Spear.

Hasbro, the biggest US toy company and maker of Action Man, is proceeding against trustees controlling 24.9 per cent of the family-run group. It will argue that the trustees are still bound by agreements to sell the stake, in spite of an eleventh-hour bid by Mattel, Hasbro's US rival.

Mattel, maker of Barbie dolls, yesterday noted news of the court case "with regret." The group said its offer of £10 a share - £1 above the Hasbro offer - was made at Spear's invitation.

Hasbro, which launched its £46.9m unsolicited bid on May 23, has been the biggest shareholder outside the Spear family for the past four years, with 26.7 per cent. The trustees had given irrevocable undertakings to accept unless a better offer was made within three business days.

Mattel's offer, valuing Spear at £52m, was made at just five minutes to midnight on the final day.

The announcement was lodged with the Stock Exchange, while the Takeover Panel and both sets of advisers were informed of the offer.

Hasbro claims that this was not a public announcement, and so the undertakings remain valid.

Mattel has been advised that the announcement of its bid was "sufficient to release the trustees from their undertakings to Hasbro." It understood that the trustees had received identical advice.

If Hasbro wins on Tuesday, it will be able to declare its offer unconditional. If it loses, it could, under the terms of its original bid, increase its offer.

The Spear board - apart from Mr Francis Spear, chairman - yesterday reiterated its description of the Hasbro offer as "wholly inadequate."

## US operation lifts

### Dewhurst to £0.69m

Dewhurst, the electrical components and control equipment maker, reported pre-tax profits 69 per cent ahead at £885,126 for the 26 weeks to April 3, against £404,487.

Turnover was up 4 per cent at £5.35m (£5.17m). Earnings per share were 3.96p (2.36p) and the interim dividend is raised from 0.66p to 0.75p.

Steady growth in demand for keypad products and a strong performance from lift components in the US offset the expected downturn in rail equipment sales.

## British Land net assets surge 46% to 423p

By Vanessa Houlder

Property Correspondent

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Shares lose 28p as costs of Italian silver disposal hit results

## Johnson Matthey falls 11%

By David Blackwell

The cost of disposing of its Italian silver business helped to push 1993-94 profits down by 11 per cent at Johnson Matthey, the precious metals technology group. The shares fell 28p to close at 155p.

Net-tax profits were 265.4m on total turnover of £1.96bn for the year to end-March, compared with a previous 273.6m on turnover of £1.85bn.

However, continuing activities showed operating profits rose by 35 per cent to £81.6m (£10.2m) on turnover of £1.84bn (£1.76bn).

Mr David Davies, chairman and chief executive, said all four divisions had shown higher profits. At the same time the group had embarked on several joint ventures which would enable it to expand globally.

The group was moving from the cost cutting cycle of the past few years into a cycle of growth, he said, citing the group's ceramics venture with Cookson, planned autocatalyst plants in Malaysia and Mexico, and an electronics venture with Mitsubishi in Japan.

The improvement at operating level was fuelled by the materials technology division, which lifted profits from 29.8m to 52.8m. Mr Davies said that biomedical products had continued to be a good profits earner, and the electronic materials side had lifted profits in North America by 50 per cent in sterling terms.

Profits at the automotive

catalysts division rose from £27.1m to £28.2m, with strong demand from North America offsetting a 15 per cent decline in the European car market.

Precious metals profits edged ahead from £20.5m to £20.8m. A rise in the price of platinum from £215 a troy ounce to £255 in the period was offset by a further fall in the rhodium price, from £1,263 a troy ounce to £225.

The colour and print division improved profits from £11.3m to £12m.

Exceptional charges totalled £11.7m, compared with an exceptional gain of £8.7m previously.

The book loss of 25m on the Italian sale, announced yesterday, was offset by the disposal earlier in the year of the UK and Irish jewellery businesses at a profit of £2.3m. A provision of 25m has been charged for restructuring costs on Cookson Matthey Ceramics, the joint venture with Cookson announced last March and due to start on July 1.

Earnings per share were 23.7p, down from 27.1p. Earnings before taxation were 27.6p. A final dividend of 8p is proposed, giving a total for the year of 11.4p (10.3p).

### • COMMENT

The fall in the share price was surprising. Apart from the sale of the Italian business, the results were in line with City expectations. Further growth is expected. The group is investing a lot of money in the



David Davies: creating joint ventures to boost global expansion

future. Capital expenditure, at 265.4m, was more than twice the depreciation charge, and research and development spending at £28.6m was also at a record. It is taking its electronics expertise to Japan and its autocatalyst expertise to east Asia and Mexico. By linking with Cookson, it is turning

the small colour and print division into a business big enough to compete on global terms in the ceramics industry. Next year profits should be about 290m, which gives a multiple of more than 17. This might look expensive in the short term, but longer term the prospects are good.

### Scapa edges ahead to £48.5m

By David Blackwell

Pre-tax profits of Scapa Group, the supplier of consumable products to the paper industry, edged 3 per cent ahead from 57.5m to a record 59.5m for the year ended March 31.

Mr Harry Tuley, chairman, said there were signs that the paper industry "is on a fragile recovery path from a very depressed base." But he also pointed to the "increasingly significant results" of the group's industrial materials division, which would provide an alternative route to earnings growth.

Turnover rose by almost 13 per cent from 234.7m to 269.1m. About 80 per cent of the group's products are made or sold overseas, and currency factors accounted for 21m of the increase. A further 16.2m arose from acquisitions.

Operating profits increased by 23.8m to 55.5m. However, currency gains accounted for £2.9m of the advance and

£1.8m came from acquisitions.

The group generated a positive cash flow of £17.3m, up from £4.3m. Capital expenditure at £19.7m was the lowest since 1987 - Mr Tuley said the group felt it had enough capacity and was being cautious. He expected it to return to the recent average of £26m in the current year.

The paper and related industries division reported profits of 54.4m on turnover of £222.2m, up from £204.4m on £208.3m. The US market - Scapa's biggest - took higher physical volumes, but prices remained under pressure.

The industrial materials division lifted operating profits from £11.3m to £14.1m, and sales from £138m to £162.5m.

The division includes speciality adhesive tapes, sales of which are now more than 27m following the acquisitions of Saba and Barnier in France.

The group is searching for further acquisitions, probably in North America, "to

build on the critical mass now established."

Net interest payable rose from 54.7m to 57m.

Earnings per share were 13.5p, down from 13.9p, and a final dividend of 4.25p (4.05p) is proposed, taking the total to 5.85p (5.65p).

### • COMMENT

The shares reacted to slightly lower than expected profits with an 11p fall to 214p. The company's cautious statement could prove to be a little too gloomy, although there is likely to be a time lag before any improvement in the paper industry itself feeds through to the suppliers. Nevertheless, it has increased its market share of paper industry supplies and maintained profits throughout the recession, putting itself in a strong position to benefit from any recovery. Profits this year of about 55m give a prospective multiple approaching 15 - a solid hold.

### NEWS DIGEST

## Recovery continues at Drummond

The recovery seen in the first half at Drummond Group, the wool-based fabrics manufacturer, continued in the second half resulting in pre-tax profits of £716,000 for the year to March 31, against losses of £3.3m.

The result was helped by exceptional profits this time of £26.6m, compared with a net charge of £2.5m mainly relating to reorganisation costs. Finance charges were lower at £73,000 (£894,000).

Turnover was £45.6m, against £45.8m which included 25.7m from discontinued activities. Operating profits on continuing activities amounted to £293,000, against losses of £52.0m.

Earnings per share were 1.79p (losses 2.68p). The board believes a restoration of the dividend would be premature but expects to pay one for the present year.

### Australian judgment hits CE Heath shares

CE Heath, the insurance broker, warned yesterday that it would have to make an exceptional provision of about A\$10m (£5.2m) in its results for the year to March 31 following a judgment in the High Court of Australia.

Its shares fell by 4p to close at 33p.

As a result of the judgment, CE Heath Underwriting and Insurance (Australia), a wholly owned subsidiary, will not be able to recover certain amounts from the Accident Compensation Commission in Victoria previously accrued.

### Premier Land achieves £146,000

Premier Land, the property investment group, achieved pre-tax profits of £146,000 for the six months to March 31. For the previous nine months, before the company divested its mining interests, there were losses of £75,000.

Rent for the period amounted to £1.75m while net

property sales were £650,000. Earnings per share came through at 0.03p (losses of 0.85p for nine months).

### Progress continues at Alphameric

Alphameric, the information technology group, continued to progress through the second six months and for the year to end-March swung from losses of £321,000 to profits of £433,000 pre-tax.

Turnover improved from £16.8m to £16.9m. Earnings per share worked through at 1.1p (losses 1.4p). There is again no dividend but the cash position remains healthy with nil gearing.

### Melville Street net asset value ahead

Melville Street Investments, which specialises in the provision of development capital to small and growing companies, saw a rise in its net asset value from 140p to 170p per share over the year to April 30.

Net revenue for the 12 months improved from £200,758 to £260,775 for earnings per share of 5.1p (4.8p). A final dividend of 2.7p is proposed for a 4.2p (4p) total.

### Regent share offer for First Choice

Regent Corporation, the house-builder, is making a share offer valued at £2.86m, for First Choice Estates. The deal recommended by First Choice directors, will be satisfied by the issue of 6.5m Regent new ordinary 1p shares.

Regent is making a 5-for-6 offer for the ordinary shares and offering 23 for every two ordinary. Underlying net assets of First Choice, a residential property developer, were £2.27m at September 30 1993.

### Bristol Scots cuts loss to £246,000

Losses in its restaurants division left the pre-tax deficit at £246,073 at Bristol Scots for the 1993 year, against losses of £2.5m.

The property and leisure group has decided to close the division and since the year end

on completion the enlarged

group will be renamed WMGO Group.

The vendors will retain shares to the value of £3.68m, while the £1.2m balance of the initial £5m purchase price will be included in a placing and open offer by Besson Gregory to raise £1.9m net of expenses. There is a clawback for existing shareholders on a 10-for-31 basis.

A further payment of up to £2.75m is dependent on profits.

MMI is expecting pre-tax profits of not less than £1.2m for the year to end-February - it incurred losses of £473,000 the previous year. For the 12 months to September 30 1993, WMGO returned £207,000 at the pre-tax level.

World Fluids start to 1994 'disappointing'

The board of World Fluids Holdings, the specialist chemicals and additives manufacturer, yesterday warned that trading for the first four months of the current year had been disappointing and well below expectations.

The company pointed out, however, that this was in common with most companies operating in the sector, where oil prices affected their results.

The statement was in response to a recent sharp fall in the shares, which earlier this year touched 40p, but yesterday stood at 18p.

### Thomas French down at £0.55m

Thomas French & Sons, the home decorative accessories group, reported pre-tax profits down from £275,000 to £251,000 in the half year to April 30.

There was an exceptional charge this time of £185,000 relating to unrecoverable deferred consideration after the purchase of Kaz Krafts, sold in January last year, went into receivership.

The interim dividend is unchanged at 1.45p from earnings per share of 4.12p (3.89p).

### MMI expands via £5m purchase

MMI, the business communications company, is paying up to £7.75m for WMGO group, which has interests in broadcast and press advertising, sales promotion, direct marketing and media planning and buying.

On completion the enlarged

Prudential sells a Canadian offshoot

Prudential Corporation is selling the Canadian group insurance business of its Canadian subsidiary to Sun Life Assurance of Canada for C\$32.5m (£15.7m) cash.

There was an exceptional charge this time of £185,000 relating to unrecoverable deferred consideration after the purchase of Kaz Krafts, sold in January last year, went into receivership.

The interim dividend is unchanged at 1.45p from earnings per share of 4.12p (3.89p).

### Unitech makes US acquisition

Unitech, the maker of electronic power supplies, connectors and control products, is paying \$12.3m (£8.2m) cash for the Intech/Advanced Analog electronics business of Intech.

Advanced Analog makes electronic components, mainly in the US and primarily to the military and aerospace markets.

## AGM told HTV makes good start to year

By Raymond Snoddy

Mr Louis Sherwood, chairman of HTV, told shareholders at the annual meeting yesterday that the year had started very well for the ITV broadcaster to Wales and the west of England.

In the five months to the end of May airtime sales revenue rose by more than 10 per cent, against 7.5 per cent growth for ITV as a whole.

Its share of total ITV revenue had now risen to more than 6.1 per cent compared with 5.9 per cent.

Mr Sherwood was still taking a cautious view of the full year but said: "I must reiterate that we are seeing very positive about every aspect of our business."

He also called for a new broadcasting act to deal with the anomalies of the 1990 legislation.

At the meeting the company spelled out the progress made since the alliance was announced with Fleetwood and its parent organisation, United Artists European Holdings, which in turn is part of Tele-Communications of the US.

A £2m contract for 20 months had already been signed to provide facilities and operational management for Wire TV, the UK cable television channel. Programme distribution contracts have been signed with both the US and European Discovery channels and there is the possibility of a number of high-volume programme supply agreements.

### Magnolia makes Czech buy

Magnolia Group, the picture frame manufacturer and publisher, is buying a 51 per cent interest in Lira, a Czech picture frame company, for £652.5m (£1.2m).

Magnolia also warned that its results for the first half of 1993 would be disappointing. Increased marketing costs and delayed orders were blamed.

The shares fell 9p to 53p.

## Cost cutting behind 25% rise at Chubb to £77.14m

By Simon Davies

Cost cutting at Chubb Security enabled the electronic alarm and locks group to achieve a 25 per cent increase in pre-tax profits to £77.14m for the year to end-March.

The improvement in profits, from last year's £51.75m, was seen from a turnover just 1 per cent ahead at £701m (£688m). The shares fell 25p to 33p, reflecting concerns over the level of sales growth.

Operating profits from the group's electronic security division rose 13 per cent to £41.78m, with profit margins improving from 10.8 per cent to 11.8 per cent.

On the physical security side, profits grew 21 per cent to £23.57m and margin from 8.8 per cent to 10.5 per cent.

Chubb is investing £28m in plant equipment in the current year, and plans to introduce 16 new product ranges and reduce turnover by 12 per cent.

Mr David Peacock, chief executive, said sales for the first two months of the current year were on target, and were "meaningfully ahead" of the year earlier.

### • COMMENT

Oxford managers decided to use most of the benefits of currency movements to trim prices and boost market share last year and one effect was to boost sales per employee by 13 per cent to £20,400. Profit margins widened from 3.4 to 6.4 per cent but still lag way behind their historic high of 18 per cent. Improving demand should help boost margins back towards these levels, although some businesses, particularly patient monitoring, remain sluggish and very competitive. Meanwhile the group is hopeful a buyer will be found for its second £25m (£16m) synchroniser - it has spent £6.8m on construction so far. Pre-tax profits of £14.8m look possible producing earnings of 20.1p this year. Given the growth prospects, the shares probably deserve to be trading on a higher forward multiple than the 15.3 they currently command.

## Oxford Instruments up 21%

By Paul Taylor

## COMPANY NEWS: UK

Signs of economic recovery begin to show through

## Field rises 14.7% to £13.7m

By Maggie Urry

Field Group, the carton maker which went public in July last year, raised underlying pre-tax profits by 14.7 per cent to £13.7m in the year to April 3, helped by an acquisition.

The gain was in spite of pricing pressures and scant market growth.

In 1993 profits were depressed by a property write-down of £1.85m and a £1.25m charge for the termination of hedging instruments from the management buy-out. Without adjusting for the flotation and including these exceptional items, pre-tax profits were up from £3.38m to £8.58m.

The shares, floated at 250p, are

rose 7p to 250p yesterday.

Mr Keith Gilchrist, chief executive, said Field had outperformed the market and raised its UK market share from 15.4 per cent to 16.6 per cent.

He expected further rationalisation in the market, with a number of middle-sized players currently up for sale. Field could be interested in buying at the right price, but preferred expansion in northern Europe, he said.

Mr Gilchrist added that pressure from supermarkets had kept down prices of packaging for foods, detergents and tissues. However, these accounted for only a third of group turnover.

Although cautious on cur-

rent year prospects, the chief executive said there were now signs of economic recovery and he expected continued progress helped by £20m of capital expenditure in the last two years.

Group sales rose 11.4 per cent to £155m, including £6.6m from the Boots Print business acquired just after the float.

Operating profits, before exceptional, rose by 11.7 per cent to £14.1m, including £5.6m from acquisitions.

Mr David Nussbaum, finance director, said that like-for-like growth, excluding the acquisition, exchange rate movements and allowing for 1993 being a 53 week period, was 8.1 per cent.

Operating margins were unchanged at 8.1 per cent.

The interest charge fell from £246,000 to £237,000, with the group ending the year with net cash of £4.2m. A lower tax rate, of 22.4 per cent, boosted earnings per share by 2.7 per cent to 17.9p, before exceptions.

Mr Nussbaum said the tax rate would rise to around 30 per cent over the next four or five years.

A final dividend of 4.75p is proposed to give a total of 7.05p, up 10.2 per cent on the notional 6.4p for 1993. Mr Gilchrist stressed the rise reflected the strong balance sheet and low tax rate, and this sort of dividend increase could not be expected every year.

## GWR jumps to £930,000

By Raymond Snoddy

GWR, now the UK's second largest commercial radio group, is pressing for the abolition of the present limit on the number of licences in the immune system and in the trading arithmetic.

Five large pharmaceutical companies are interested in its Adjuvant immune system booster for use with vaccines, with commercial arrangements possible next year.

Under existing rules a radio company can no longer expand if it has more than 15 per cent of commercial radio as defined by a points system or more than 20 licences.

The Radio Authority, the industry regulatory body, has also told the government that it wants to see the licence ceiling abandoned.

Mr Henry Meakin, chairman, said after the current government review of cross-media ownership rules was completed and the recommendations published it "should enable the group to continue expanding its portfolio of wholly owned stations in the UK".

GWR has now added radio stations in East Anglia to its main base in the south of England and the Midlands stations acquired in January.

The USM quoted group is raising the interim dividend to 5.5p (6.5p).

The result primarily reflects a good performance by GWR South where both national and local advertising revenues showed growth of 31 per cent.

Group turnover expanded from £4.1m to £7.8m with the Midlands stations contributing £2.2m. Earnings per share were 14.1p (6.5p).

## Proteus in development talks with nine companies

By Daniel Green

Proteus International, the USM quoted drug designer, is in talks with nine pharmaceutical companies over development programmes in the immune system and in the trading arithmetic.

Five large pharmaceutical companies are interested in its Adjuvant immune system booster for use with vaccines, with commercial arrangements possible next year.

Talks with three Japanese and one US about a technology to stimulate cartilage growth which could reduce the need for surgery in arthritis victims are at a preliminary stage. The conclusion of at least one set of discussions is likely this financial year.

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end, the company completed a 1-for-7 rights issue at 28p. The proceeds raised the net cash position from £1.6m at the year end to about £2.2m.

The shares rose yesterday by 7p to 28p.

Mr Gilmore said that all of the 30 drug development programmes were ahead of the schedule set out in the rights issue offer document.

"Modest revenues are anticipated to commence during 1994-5," he said. Sales would grow "to provide a base for substantial expansion in 1996-7."

The company's strategy is to develop new drugs and to licence them to companies for the late stages of development, manufacture and marketing.

## Property revaluation leaves 600 Group £2.5m in the red

By Paul Taylor

A loss on a property revaluation pushed the 600 Group, which manufactures and distributes machine tools and materials handling equipment, into a wider deficit last year despite a reduced loss at the operating level.

The group, which has undergone a substantial reorganisation, reported pre-tax losses of £2.5m for the year to March 31 compared with losses of £2.8m. The result was after a £1.02m loss on the revaluation of properties.

Turnover fell by 2.5 per cent to £96.7m (£99.2m), but the decline masked modest signs of improvement in the second half when group sales

increased by 15 per cent reflecting improved demand, particularly in North America.

Professor Michael Wright, chairman, said: "after five years, during which our performance has been dogged by recession in our major markets, we are beginning to detect clear signs of recovery in demand."

Similarly at the operating level results improved from a first half loss of 21p to a profit of 20p in the second half producing a reduced full year operating loss, before the property revaluation, of £1.57m (£1.26m).

Prof Wright said the reduced operating loss reflected a combination of a moderate

By Andrew Jack

Accountancy firms are still languishing in the after-effects of the recession, according to the Financial Times league table of the top 30 firms published today.

Nearly half of the firms reported absolute declines in fee income levels, while only three were able to report revenue growth in double digits.

The data shows the enormous and growing gulf between the "Big Six" firms and the rest of the market. Touche Ross, which fell to sixth place with a decline of 0.8 per cent to £33.2m, remains more than three times the size of the next largest firm.

Total income to the 30 largest accountancy practices was £3.4bn in 1993-94, up by less than 2 per cent on the previous year. The proportion taken up by the largest six firms edged up marginally to 76 per cent.

The largest growth came from Latham, Crossley & Davis, a small firm which reported an 18 per cent rise to £9.7m in the

year to April 30. The biggest decline came from Littlejohn Frazer, down 13.5 per cent to £2m.

At the top end of the league table, Andersen, comprising Arthur Andersen and Andersen Consulting, moved up from sixth place two years ago to become the third largest firm in the country this year.

The table also shows the diversification of the accounting firms from purely accounting and auditing work into tax, insolvency and management consulting.

However, many firms reported declines in insolvency income, which had sustained them during the recession but has now fallen in line with the number of business failures.

Two of the firms with strong specialisms now show less than one-fifth of their income from audit and accounting work.

These are Andersen, because of Andersen Consulting, and Smith & Williamson, with its heavy banking and investment management service. Levy Gee, an insolvency

specialist, reports only 37 per cent from accounting.

The trend to cutting jobs continued, with the number of partners across the firms reduced to just over 4,700 down 7 per cent from last year, and the number of other professional staff down 6 per cent to a little under 41,000.

The figures are prepared for comparison with most firms providing information for financial year-ends to March or April, although these do not always correspond to their own year-ends for internal use.

It remains difficult to compare the firms for a number of reasons, including the fact that a number of the smaller accountancy practices are affiliations rather than single firms.

For this reason, Moores Rowland has for the first time been shown adjusted to exclude its MHI associates, which lowers its place in the rankings. On a like-for-like basis, it remains 16th in the league.

## Care UK helped by exceptional

Care UK, the restructured nursing homes group, swung from losses of £2.8m to profits of £6.35m pre-tax for the half year to end-March, thanks mainly to a 27.6m profit on the sale of its sheltered housing division.

Turnover totalled £7.51m (£8.35m) of which £5.1m (£5.15m) related to discontinued operations. Operating profits of the continuing activities emerged at £2.63m (losses of £5.00m), but interest costs accounted for £789,000 (£851,000).

Undiluted earnings per share worked through at 3.51p. The USM quoted company was formerly known as Anglia Secure Homes.

## Martin Shelton doubles to £796,000

Martin Shelton Group, the USM quoted diaries, calendars

and betting office supplies maker, announced a near doubling of pre-tax profits from £407,000 to a record £796,000 for the year to March 31.

Mr Paul Martin, chairman, said the stronger performance from all areas of group activity had been coupled with increased manufacturing output and tighter production controls to restrict costs. Most growth had come from the core activity - diaries, calendars and business gifts.

Turnover improved to £5.93m (£5.02m). A proposed final dividend of 2.5p (1.5p) lifts the total to 3.75p (2.25p), payable from earnings per share of 10.58p (7.78p).

## Osborne &amp; Little in profit

The improvement seen in the first half continued into the second at Osborne & Little, the wallpaper and fabrics group, and enabled it to report pre-tax profits of £2.6m for the year to March 31. There were losses of £238,000 last time.

Turnover amounted to £20.7m (£17.9m) and the pre-tax result last time was after a

£1.2m loss on the disposal of discontinued operations.

Earnings per share of 26.4p (8.12p losses) were helped by the company buying in a further 300,000 of its shares for cancellation, in addition to the 705,000 bought in March 1993.

It intends to purchase a further 500,000 if earnings can be expected to be further enhanced.

A proposed final dividend of 4p (2.5p) lifts the total to 6.5p (4.6p).

Widney in black and white forecast

Widney, the broadly-based mechanical and electronic engineering group, announced a turnaround from a first-half loss of £417,000 to a £633,000 pre-tax profit and predicted a return to the dividend list this year after a four year absence.

Mr David Cassidy, chairman, explained that the dividend decision followed the clearing of preference dividend arrears, covering the period from July 1989 to December 1993, and amounting to £754,000.

He said that with the debit balance on the parent company

ny's P and L account cleared, ordinary dividends were now possible.

Second-half results were expected to continue the progress shown in the first half, he added.

Turnover for the six months to April 2 grew to £15.23m (£9.88m).

Interest costs fell to £1.17m (£314,000) as a result of lower rates and borrowings, while earnings per share came to 0.41p (0.91p losses).

The shares rose 14p to 113p yesterday.

## Lyons Irish down at £8.85m

Lyons Irish Holdings, the tea and coffee wholesaler ultimately owned by Allied Lyons, suffered a fall in pre-tax profits from £19.49m to £8.85m, or 55.6%, for the year to March 5.

Interest income fell from £3.75m to £1.5m. Earnings per share declined by 2.85p to 24.86p while a final dividend of 6.95p makes a 10.4p (9.45p) total.

Turnover of £22.9m compared with £22.9m.

## SCAPA GROUP PLC

## Preliminary results for 12 months ended 31 March 1994

- Sales increase by 12.8 per cent to £391.7m (347.3m)
- Operating profits up 7.4 per cent to £55.5m (£51.7m)
- Pre-tax profits up 3.2 per cent to £48.5m (£47.0m)
- Earnings per share at 13.5p (13.8p)
- Final dividend increased by 5 per cent to 4.23p

"We enter 1994/95 with cautious optimism from improved order books and signs that the paper industry is on a fragile recovery path from a very depressed base."

Harry Tuley, Chairman

The Annual Report will be circulated to shareholders on 24 June 1994. A form of election for scrip dividend will be posted on 7 July 1994.

SCAPA GROUP PLC  
Oakfield House, 93 Preston New Road, Blackburn, Lancashire BB2 6AY.



## Templeton

Templeton Global Strategy Sicav  
Registered Office: 30, Grand-Rue, L-1660 Luxembourg B-35117

## Convening Notice

The shareholders of Templeton Global Strategy Sicav are hereby convened to assist at an extraordinary meeting of shareholders to be held on 20th June 1994 at 11.00 am in Luxembourg at Centre Neuburg, 30, Grand-Rue, L-1660 Luxembourg to vote and deliberate on the following agenda:

1. to approve the merger of the sub-fund "Templeton Indonesia Fund" into the sub-fund "Templeton Far East Fund" with effect from 1st August 1994 in accordance with the provisions of Article 5, last paragraph, of the Articles of incorporation.
2. to approve the merger of the sub-fund "Developing Growth Stock Fund" into the sub-fund "Templeton Smaller Companies Fund" with effect from 1st August 1994 in accordance with the provisions of Article 5, last paragraph, of the Articles of incorporation.
3. to amend Articles 5, 17, 23, 27 and 28 of the Articles of incorporation with the purpose:
  - to permit the creation of sub-classes of shares with specific sales and redemption charge structures or hedging policies as the Board of Directors may decide from time to time;
  - to permit the Board of Directors to decide in specific circumstances the liquidation of a class of shares;
  - to permit the Board of Directors in specific circumstances to decide the merger of different classes of shares;
  - to replace the specific reference to "Templeton, Galbraith & Haasberger - Ltd", by a global reference to companies or, or affiliated with the "Templeton Group" and to delete

## PROPERTY

The row over rent increases at Smithfield market in London has put the spotlight on one of the country's richest landlords - the Corporation of London.

The rumpus, which has arisen as a result of the need to meet the costs of upgrading hygiene standards to European Union requirements, brings into the public eye the corporation's eclectic property portfolio.

Its holdings, which date back to medieval times, embrace about a quarter of the Square Mile in the City of London, along with extensive holdings in the West End and other parts of the capital. For example, the corporation owns New Bond Street, which was acquired in the 17th century as water-gathering lands.

The pace of change in such a traditional and long-standing portfolio has, inevitably, been slow. But, according to Mr Peter Bennett, the corporation's deputy surveyor, the workings of the 500-year-old surveying department, which oversees the corporation's portfolio, has undergone "dramatic change" over the past six years.

The corporation's independence and deep pockets have helped insulate it from the ravages of the property collapse at the end of the 1980s. Nonetheless the corporation has moved away from its traditional style of estate management and adopted a tougher approach towards performance management.

"Over the past two years, we have been asking whether we are justified in having this much property. We analysed our portfolio in 1990 when we looked at every property and assessed its current and potential performance," said Mr Bennett.

Some properties were earmarked for sale because they were ill-suited to the portfolio or would require too much management effort. So far the corporation has sold about £150m and £200m. Much of this portfolio comprises second world war bomb-damaged property, principally around the London Wall area, which

## A quiet revolution

One of the UK's richest landlords is changing its approach, says Vanessa Houlder



Alban Gate in the City, developed by the corporation and MPEC

was bought post-1945 for redevelopment.

● Bridge House Estate, valued at between £150m and £200m. Revenue from these properties, many of which were bequeathed during the Middle Ages, are used to maintain City bridges: Tower, London, Southwark and Blackfriars. The corporation is appealing to parliament to change its constitution: this would enable the authority to use the fund for other purposes. A decision is expected within the next few months.

● City Estates, valued at between £300m and £400m. Revenues from this fund are used to replenish the corporation's private purse, which is used to maintain Epping Forest, Hampstead Heath, the Port Health Authority, quarantine facilities at Heathrow, Guildhall School of Music, Barbican Centre and at Billingsgate and Smithfield markets.

In many cases, the corporation merely owns freeholds while buildings are owned by leaseholders. In its City Estates portfolio, for instance, buildings represent between just 10 per cent and 15 per cent of the portfolio while the remainder is freehold.

The corporation's concentration on freehold rather than leasehold interests has blunted the impact of recent market peaks and troughs on its portfolio. "In a period of depression like the one we have been through, the effect of vacancies has been very limited," said Mr Bennett. After peaking at 10 per cent, the corporation now said it had "embarrassingly little" property to offer prospective tenants.

The authority's ability to offer space at cheap rates has played a part in its recent marketing campaign to reinforce London's role as Europe's leading financial centre. It has been able to make space available in the City for representative offices, such as the Polish Business Centre which is based at the London Wall buildings.

As demand for City property starts to pick up, the corporation is also dusting down its

development programme. The programme stalled off during the recession, although the corporation has recently completed a £13m redevelopment of 1-7 Whittington Avenue and the rebuilding of Boston House on the corner of New Broad Street and Old Broad Street. The corporation is working on a £25m development of an art gallery in Guildhall Yard - a complex scheme, adjacent to listed buildings and positioned over remains of a Roman amphitheatre.

Schemes currently on the drawing board include a project in Tottenham Court Road, where the corporation wants to build a 200,000 square foot retail and office complex on the site currently occupied by a set of empty warehouses. The site has been owned by the corporation since 1574 when, as agricultural land, it generated £4 a year in rental income.

The corporation is also considering developing two sites which it owns at Ludgate Hill, totalling 247,000 sq ft. The scheme may be delayed, however, because the proposed designs have not found favour with the Royal Fine Arts Commission. Archaeological investigations, which are likely to reveal important findings relating to the medieval City wall, are already under way.

It is reluctant to expose itself to too much development risk. "We will do developments where there is an opportunity to make a good return and where the size of the scheme is not too large. We do not want to over-expose ourselves," said Mr Bennett.

The authority prefers to find development partners as it did with the Little Britain scheme in Aldersgate Street, which was developed with Wimpey Property Holdings and Nippon Life; and at Alban Gate, which it developed in partnership with MPEC Developments.

The corporation has put together a string of sites for which it wishes to find either buyers or development partners - and it has marketed these at exhibitions in Hong Kong and southern France.

The task of selling development sites in the City is not made easier by the potential oversupply if developers acted on the large numbers of planning permits that have already been granted. However, Mr Bennett said that there is growing interest from developers. "The key is to find the right product in the right location," he says.

# The communications highway.

## A route map.

On Wednesday, June 15 the Financial Times will publish a survey on Telecommunications in Business.

Telecommunications play an increasingly vital role in the efficiency of businesses. The survey will give a detailed description of the new technology and services available, comparing prices and reliability.

It will, for example, examine the opportunities for the corporate sector to exploit the latest services and explain the benefits of phone cards over hotel rates for the travelling executive.

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### SPAIN

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For information,

Notaire Jean-Paul MICHON - Phone 32/67/64.84.19 -

Fax 32/67/64.81.26

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## COMMODITIES AND AGRICULTURE

## US crop forecast hits wheat prices

By Laura Morse in Chicago

Wheat prices at the Chicago Board of Trade fell yesterday after the US Department of Agriculture increased its monthly estimate of the US harvest now in progress, and failed to make the expected cuts its projections for crops in China and the former Soviet Union.

The USDA's estimates ran counter to private estimates that show China and former Soviet crops under stress from long-term dryness.

The department's figures also failed to reflect new data from Oklahoma, where the winter wheat harvest is nearly one-third complete and yields

are down substantially from last year, analysts said. Maize and soybean futures prices rose, as traders continued to focus on unusual dryness in the Midwest.

Mr Bill Biedermann, a market analyst with Allendale, was puzzled by the USDA's failure to adjust its crop prospects for the countries that have historically been North America's biggest wheat customers.

"We've been concerned for 30 days about dryness in China and in what used to be Russia. Now the government is saying there is no change in those [wheat] crops from May to June," he said.

The USDA maintained its

wheat production estimates for Russia at 88.5m tonnes, though it lowered output for the former Soviet Union to 74.3m tonnes, from 74.8m a month ago. China's crop is projected to be near last year's record, at 105m tonnes.

The agency boosted its US winter wheat production estimate to 1.67bn bushels, above market projections for 1.635bn and up from its own estimate of 1.65bn a month ago. The total US wheat crop, including spring wheat, is now estimated at 2.37bn bushels.

Analysts said the report, which was based on crop conditions as of June 1, did not reflect new information that the wheat harvest is now in prog-

ress in Oklahoma, a major winter wheat state, had been disappointing.

Farmers in south-western Oklahoma are reporting surprisingly low yields in newly harvested fields.

Mr Tom Diel, executive director of the Oklahoma Wheat Commission, says yields are ranging from 20 to 25 bushels an acre, making the USDA's projection of 30 bushels look optimistic. Mr Diel expects, however, that yields will improve as the harvest moves north. "I'm hoping for a 150 to 155 bushel crop this year," he says. That would be down about 6 per cent from last year's wheat harvest of 163m bushels.

## 'Chemicals vital for African agriculture'

By Deborah Hargreaves

Africa will have to start using large amounts of chemical fertilisers if the continent is ever to solve its own food problems, according to Mr Norman Borlaug, a prominent agriculturalist, who won the Nobel Peace prize in 1970 for engineering India's "green" revolution.

Mr Borlaug told a meeting at the Overseas Development Institute yesterday: "Some people say that Africa's food problems can be solved without the application of chemical fertilisers. They're dreaming. It's not possible".

He said that the environmentalists advocating traditional farming methods failed to recognise the rapid growth in population expected in the continent. The population of sub-Saharan Africa was set to double in the next 22 years, he claimed, which would put a considerable strain on non-chemical farming.

China had managed to transform its production of cereals in the five years between 1975 and 1980, increasing yields by a tonne a hectare by using chemical fertilisers, Mr Borlaug said. China's output of cereals had risen from 285m tonnes to 285m tonnes during that period even though farmers had already been using organic compost on the land.

Today China produced the most cereals in the world with average yields of 4 tonnes per hectare, Mr Borlaug said.

Sub-Saharan Africa had the lowest use of fertiliser in the world and soil nutrients were so low that other efforts to raise crop productivity would not be successful until fertility was improved.

Mr Borlaug said, however, that it was extremely expensive for African countries to import fertiliser, and he called on industrialised nations to provide the continent's farmers with access to adequate inputs.

## Ecuador looks to Amazon for oil production boost

By Raymond Colitt in Quito

The Ecuadorian government has awarded international petroleum companies rights to explore 2m hectares of Ecuador's Amazon rain forest. The move is seen as evidence of the government's determination to boost proven crude oil reserves and increase production dramatically in the coming decade.

Over the next three years, production is expected to increase by about 30 per cent from new fields coming on line.

The so-called Seventh Round of bidding has created great interest among foreign investors because of the area's promising geological structures and the government's recently-introduced, market-oriented reforms.

Two companies, BHP King and Tripetrol, have been awarded rights to explore for natural gas in the Gulf of Guayaquil, on Ecuador's Pacific coast.

the government would apply strict environmental regulations.

According to officials of the state oil company, Petroecuador, prospects for discovering crude oil are good. So far 54 per cent of the exploratory wells drilled in the country have yielded positive results. In some of the blocks on which concessions have been awarded, oil fields have already been discovered, though not explored.

New discoveries are expected to be heavy crude oil. The average API has already dropped from 30 to 28 and is forecast to fall to near 25 by 1999.

Two companies, BHP King and Tripetrol, have been awarded rights to explore for natural gas in the Gulf of Guayaquil, on Ecuador's Pacific coast.

## Canadian companies close well to verify size of Cuban find

By Caron James in Kingston, Jamaica

Canadian companies exploring for oil in Cuba have closed a well that recently yielded light crude, to allow them to verify the size of the oil field in Cárdenas Bay to the east of Havana, the capital.

The deposit, which has a low sulphur content, is of a higher quality than oil that has so far been found in Cuba, according to officials of Cubanpetroleo (Cupet), the state oil company.

It was found by Sheritt and Talisman Energy of Canada, which are among several foreign firms prospecting in Cuba. The well was sunk to 3,249 metres and the oil was found at 2,500 feet. Production is estimated at 3,750 barrels a day.

The discovery will be encouraging to Cuba's struggling domestic oil industry, which has been unable to produce enough to meet a shortfall in

imports and end the island's crippling energy shortage. Imports last year of 5.7m tonnes of crude were about half of the island's needs.

Domestic production is expected to rise from 1993's 1.1m tonnes to 1.3m tonnes this year. But Cupet officials are hoping for more significant growth over the next few years if some of the foreign companies exploring onshore and offshore find commercially exploitable deposits.

The Cubans are keenly awaiting the results of seismic studies of a concession being explored by Tauris of Sweden, which they say has indicated the presence of oil and gas.

The government says about \$50m is being invested in oil production this year by Cupet and foreign companies, following investments totaling \$20m last year. Following the granting of a six-year contract in 1991 to Total and Compagnie

## Talks on cocoa output management break down

By Deborah Hargreaves

Members of the International Cocoa Organisation, who are meeting in London this week, have failed to agree on rules covering a new production management deal which was implemented in February.

On Wednesday the organisation agreed a new set of output and consumption estimates to underpin their discussions of the market for the next 5 years.

However, talks broke down yesterday when consumers complained that their views were not adequately represented enough on the production committee. ICCO members have suggested opening their talks in September 2 days earlier to discuss consumer representation.

Meanwhile the cocoa market appeared unmoved by the organisation's vacillations and prices at the London Commodity Exchange were more influenced by the fortunes of the coffee market. At the close of trading, the September cocoa futures price recouped earlier losses to finish unchanged at \$1,003 a tonne.

## Chilean copper project expected to begin producing this month

By David Paling in Santiago

Quabrala Blanca, the first of several medium and large-scale copper projects scheduled to start up in Chile over the next few years, is expected to begin production by the end of this month, according to Mr James Drake, general manager.

The mine, a \$360m Canadian-Chilean project, should reach full capacity of 75,000 tonnes of grade A copper cathodes by the start of 1996 and is expected to have a life of 14 years.

Quabrala Blanca is a Chilean-registered company formed by shareholders Cominco, Cominco Resources International and Tech Corporation of Canada, which have a total equity stake of 76.5 per cent, Minera Pudahel of Chile (13.5 per cent) and state company Empresa Nacional de Mineria

(10 per cent). Cominco is responsible for design, construction and operation of the mine, which will have a staff of 500.

Quabrala Blanca will use bacterial heap leaching and solvent-extraction-electro-winning (SX-EW) technology to exploit the 89m-tonne secondary sulphide ore body, which has an average grade of 1.3 per cent copper.

Production costs at the mine, situated in the far north of the Atacama desert at an altitude of 4,300m, are expected to be less than 50 cents a pound.

When the main deposit is exhausted, the company will decide whether it is feasible to exploit the 200m-tonne primary sulphide sublayer, which has a much lower copper grade of 0.5 per cent. "It may be that it is visible - by that time the technology may be better and the

price of copper may make it economically justifiable," said Mr Drake.

Quabrala Blanca is just one of several new projects that are expected to raise Chilean copper production - already the highest in the world - by a further 1.3m tonnes to 3.5m tonnes by the year 2000.

Other projects due to start up before then include Cerro Colorado (annual production of 40,000 tonnes), the giant Collahuasi deposit (300,000), Zaldivar (120,000) and El Abra (225,000).

Much of the new production will use SX-EW technology, far less environmentally destructive than traditional methods that require a smelting process. By the turn of the century, about 25 per cent of Chilean copper should be produced using this technique, compared with 8 per cent last year.

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Other projects

Why crocodiles may come up smelling of roses  
Page 3

## FINANCIAL TIMES SURVEY

## UGANDA

Friday June 10 1994

**A** country once synonymous with tyranny and economic disaster is undergoing a transformation.

Tourists are returning to Uganda's game parks. Asians expelled by Idi Amin are returning to reclaim homes and businesses. And IMF officials have taken up residence in the Central Bank offices in Kampala, where they are scratching their heads over a rarely encountered problem: how to cope with an appreciating African currency.

Eight years after Yoweri Museveni, then 41, and his National Resistance Movement fought their way into power, Uganda has made remarkable progress in overcoming, as grim a legacy as any African government has known.

The chaos and slaughter of the eight-year regime of Idi Amin, and the havoc wrought by the war that finally toppled him in April 1979, would have been challenge enough.

It defeated no fewer than three governments, who wasted time and squandered resources until December 1980, when the country went to the polls for its first multiparty election since independence in 1962.

Far from marking a fresh start, it opened what was to prove another grim chapter. Former president Milton Obote ousted by Amin in 1971, returned from exile to lead the Uganda Peoples Congress to victory in what many regarded as a rigged poll.

By the time Mr Obote was forced to flee the country, a brief economic revival had been destroyed by increasingly brutal suppression of dissent.

Mr Museveni, however, has triumphed over his inherited disaster ensuring political stability, often through harsh measures, and by performing an intellectual somersault in pursuit of economic recovery.

As late as August 1988, the president was attacking what he called the IMF "orthodoxy", and seemingly resisting the government's Economic Recovery Programme, launched in May the previous year.

"If you insist that market



Capital scenes: a panoramic view of Kampala, one of Africa's most delightful cities, whose bustling streets testify to a growing economy



Panoramic images of Africa and Emmanuel Nsanzu

## Overcoming a disastrous legacy

President Museveni has revived Uganda's fortunes and provided stability, but the long-term challenge is to reduce aid and achieve self-sustaining growth, write Michael Holman and Leslie Crawford

forces become the dominant feature in an economy," he told a Zambian audience, "it will lead to increased trade liberalisation." This would be "very dangerous", he warned, "if it means that anybody is allowed to import anything they like... I can compromise with the IMF on other things but not on this."

Mr Museveni must have had second thoughts. As reform gathered pace, all restrictions on foreign exchange current account transactions were lifted and today Uganda has the most liberal exchange rate policy in sub-Saharan Africa, while the price controls he defended in the same speech have also gone.

The results have been remarkable. GDP growth has averaged 5 per cent annually since 1987. The budget deficit has shrunk, the size of the army and civil service has declined, foreign exchange reserves are healthy, a privatisation programme is under way, foreign investors are returning, albeit cautiously, and the Ugandan shilling has strengthened by 18 per cent against the US dollar over the past 18 months.

A separate journey to the far

north-east showed that recovery is much weaker in Gulu and Arua, ravaged by a more recent war, this time against the Museveni government, waged since 1986 by rebel forces that range from a bizarre religious sect to die-hard supporters of past regimes. But even there, a tentative peace is paving the way to a better life.

In Jinja, an hour's drive east from Kampala, the giant Kakira sugar estate, part of the Madhvani business empire seized under Amin, is back with its former owners. But a city that was once Uganda's industrial centre remains depressed, with the government's privatisation programme failing to find buyers for the state-owned factories with obsolete plants.

Corruption is also hampering the privatisation programme, say independent commentators, who cite cases of delays and prevarication designed to favour candidates with govern-

ment links. For these and other reasons - few Ugandans have been able to protect their savings from economic disasters of the past - the level of domestic and foreign investment falls well short of the level required for Uganda's recovery to become self-sustaining.

Mr Museveni, who frequently lectured fellow Africans on the dangers of economic dependency on the west, now relies on aid to provide half his government's income. Donors have increased assistance from \$230m in 1988 to more than \$550m in 1993, and outright grants have increased from under 10 per cent of government income in 1988 to 52 per cent last year.

And, as one leading donor

recently warned, "such sources are not indefinitely sustainable". None of this would have been possible without stability provided by a government that is somewhere between a coalition and an autocracy.

Within limits determined informally by Mr Museveni rather than by law, opposition voices are heard, including that of an often critical press. But any opposition that sets out to mount an organised challenge to the president and the NRM and the concept of participatory one-party democracy is effectively banned.

Under the all-encompassing

umbrella of the NRM are stalwarts of the two parties which used to dominate Uganda's politics, including Paul Ssemogerere, leader of the Democratic Party, and minister of foreign affairs, and Atteker Ejulu, minister of labour, a prominent member of the Uganda Peoples Congress, once led by self-exiled former president Milton Obote.

Elsewhere in Africa they have made the introduction of multiparty politics a condition to their aid. And while they have been critical of human rights abuse by government, at its worst between 1986 and 1991, they appear to have allowed Uganda a leeway not enjoyed by neighbouring Kenya.

Undoubtedly both donor and

domestic tolerance of Mr Museveni's style owes much to fear of what could be the alternative.

With stark reminders in their own recent past, and with death and disaster in neighbouring Rwanda, Sudan and Zaire, stability may reasonably

ent assembly, elected earlier this year, will draw up a new constitution in which a multiparty system is not ruled out.

Whether this all adds up to a

potential model for the rest of Africa, struggling to combine economic and political reform, remains to be seen. So far donors have given Mr Museveni the benefit of the doubt about this protracted transition to a yet-to-be-defined democracy. This may be pragmatic, but risks the charge of inconsistency.

But western diplomats are warning Mr Museveni that if he fails to put in place a democratic system based on freedom of association and freedom of assembly, Uganda's stability will not last longer than his reign.

"He would only be delaying

the return of political chaos to a very fragmented and divided society," says one ambassador in Kampala.

Economic and political

reform should go hand in hand. When Ugandans and potential foreign investors are confident of the latter, Uganda's economic growth is more likely to become self-sustaining and the achievements of Mr Museveni will be consolidated.

And should that happen,

Uganda would indeed be a

model for Africa.

THIS IS THE THAT SURROUNDS THE PLANT WHICH MAKES THE TO LIGHT THE THAT SMELTS THE TO MAKE THE TO REINFORCE THE WALLS WHERE THE IS MADE INTO THE TO CLOTHE THE CHILDREN WHO EAT THE MADE FROM THE CHOPPED BY THE MEN WHO WASH WITH THE BEFORE THEIR AND A SLICE OF MADE FROM THE WHICH IS PACKED IN THE THAT'S SENT TO THE SHOP THAT SELLS THE BOUGHT BY THE RESTAURANT THAT USES THE THAT ARE FILLED WITH THE THAT IS ALL MADE BY CHEERS!

The Madhvani group is an innovative and environmentally concerned Group of Companies. We own assets worth more than US \$200 million in Uganda and employ more than 15,000 people. The Group contributes approximately 8% of Uganda's GDP, making us one of the largest and most stable private organisations in East Africa.



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## MESSAGE FROM THE GOVERNOR

"The Performance of the Ugandan economy in recent years has demonstrated that disciplined financial policies are an essential condition for rapid and sustainable economic growth. The recovery of production, now in its eighth year of uninterrupted advance, has maintained its momentum, while inflationary pressures remain well under control. With the restoration of a stable financial environment and the liberalisation of financial markets, the climate for private investment in Uganda continues to improve, and has already been reflected in new investment across a wide range of activities. While there is some measure of satisfaction in these developments, there is no room for complacency. The Bank of Uganda remains fully committed to maintaining a stable environment in the years ahead."

**BANK OF UGANDA**  
PLOT NO. 34 - 37 KAMPALA ROAD  
P.O. BOX 7120, KAMPALA, UGANDA.  
TELEPHONE 258441 & 258061  
TELEX 61059, 61244 & 61131  
TELEFAX 255480 & 259336

Uganda has achieved an economic turnaround

## A long haul ahead

Economic reforms, backed by donors and enthusiastically applied by the government, have brought dramatic results. Uganda's economic growth has averaged 5 per cent a year since 1989; inflation has fallen from 240 per cent in 1986 to single figures, and foreign exchange reserves cover more than three months of imports.

Meanwhile, the budget deficit stays within limits agreed with the IMF and two critical areas of government spending are being tackled. The civil service will end up half its original 300,000 size, and the army will also be cut by half to 45,000 by the end of next year.

In the process, life for the business community has been radically changed. Price controls have been lifted, foreign exchange controls abolished, and a privatisation programme begun in 1992-93 is under way.

Meanwhile, foreign investors are returning, albeit cautiously, as are expelled Asians, encouraged by legislation that has allowed them to reclaim more than 3,000 properties expropriated by the Amin regime in the 1970s.

For any government these measures would represent a remarkable achievement, let

Development projects	
Uganda's 1993-6 Rehabilitation and Development Plan includes several multi-million-dollar infrastructure projects of interest to international contractors. They are:	
Project	Planned expenditure (US\$)
Kiryama sugar works	\$22.0m
Power fit Uganda Electricity Board	\$50.0m
Second Water Supply project	\$33.2m
Smart Taxis/Motor Project	\$12.0m
Marine Navigation Station	\$12.0m
Kampala bypass	\$22.0m
Rehabilitation of Kampala city roads	\$22.0m
South West road maintenance	\$16.0m
Macind, Rwerwanga-Apia, Lira-Kigoga road	\$14.0m
Procurement of machinery & equipment.	
Further information from Uganda Investment Authority, Box 7416, Kampala. Tel: 256-41-234705, 234108, 23155281; Fax: 242503.	

alone one with Uganda's history.

But adding to the difficulties have been deteriorating terms of trade - 65 per cent over the past six years - as weakening coffee prices saw the crops' earnings drop from \$384m in 1986 to \$151m in 1992, recovering to \$240m last year.

The trauma has been eased, however, by donors, who have increased assistance from \$230m in 1986 to more than \$550m in 1993 with outright grants rising from under 10 per cent of government income in

1988 to 52 per cent last year. Although this has allowed growth to be maintained, it has left Uganda uncomfortably dependent on aid, and reaching levels of domestic and foreign investment sufficient to lead to self-sustaining growth, is now the single greatest challenge.

The current rate of 6 per cent of GDP is "still too low to provide the basis for rapid economic growth", warns a World Bank paper, and the impact on investment from the privatisation programme, managed by

Public Enterprise Reform and Diversification Secretariat, has proved disappointing.

Parastatals have been classified into five categories. The government will retain full ownership of certain utilities, national parks and a development bank. It will partially divest from hotels, mines and telecommunications. Some 43 companies are slated for complete privatisation, while another 17 will be liquidated.

However, few of the 100-odd companies in state hands have

the potential to break even. The government has only privatised a handful of enterprises since the programme began in 1981. A bottling company, a distillery, Shell Uganda (which Shell bought back) and the tea estates of Agricultural Enterprises Ltd are the only notable sales to date. Several textile and spinning mills have been advertised, but the sector's plant is generally obsolete, overstuffed and carrying bad debts.

Accompanying the privatisa-

## External debt: can an inflexible rule be bent?

The structure of Uganda's external debt and the heavy toll of repayments on the recovery programme tests the wisdom of the inflexible rule that obligations to the multilateral institutions cannot be rescheduled, writes Michael Holman.

The country's external debt, including principal and interest, stands at \$585.4m, comes to \$2.7bn, equivalent to more than 100 per cent of GDP. Total scheduled debt servicing for 1992-93 amounted to \$173m, more than 80 per cent of export earnings. The government was able to pay less than half this amount.

Out of a total scheduled debt-service payment of US\$22bn for the period 1993-2010, some \$1.4bn will go to multilateral creditors - principally the IMF and the World Bank, according to an Oxfam study published earlier this year.

Whereas the World Bank has maintained a positive net transfer of resources, this has not been the case with the Fund, says Oxfam, the aid agency.

Between 1987 and 1990, there was a net transfer to the IMF from Uganda of \$90m. Although there has been a compensating positive transfer since then, in the absence of new resources the sharp rise in repayment levels from 1993 will again result in negative transfer, the Oxfam study points out.

Payments to the IMF will peak in 1997, representing more than a third of total debt payments, it calculates. Overall, says Oxfam, payments to the IMF will exceed \$200m between

1993 and 1998, resulting in a negative transfer of resources to the Fund.

In summary, the Ugandan government has no choice under existing debt rules but to request additional bilateral aid to repay its multilateral debt. Its dilemma starkly illustrates the case for a change in the rules and the removal of the taboo against multilateral debt reduction, the analysis continues.

There is a further difficulty, notes Oxfam. Under existing Paris Club rules, official creditors will not reschedule or reduce any debt contracted after a fixed date, usually coinciding with the debtor country's first application to the Club.

Uganda's cut-off date is 1981, which means that of the \$55m of arrears and maturities falling due to the Paris Club in 1983-94, as much as \$44m is not eligible for rescheduling or reduction. "The upshot is that Uganda's next trip to the Paris Club will result in savings of approximately \$8m, equivalent to 5 per cent of the country's annual service bill."

The cut-off date, argues Oxfam, should be moved to at least 1987, when the NRM government came to power. "A large proportion of bilateral debt was inherited by the current government from the brutal and corrupt regimes of Idi Amin and Milton Obote," much of which was "irresponsibly squandered and irresponsibly lent".

"Multilateral debt is an obstacle to recovery: the case of Uganda," Oxfam Briefing No. 7, March 1994, Oxfam House, 274 Banbury Road, Oxford OX2 7DZ.

repulse capital by giving investors cause to relocate in neighbouring countries," warned the association last year.

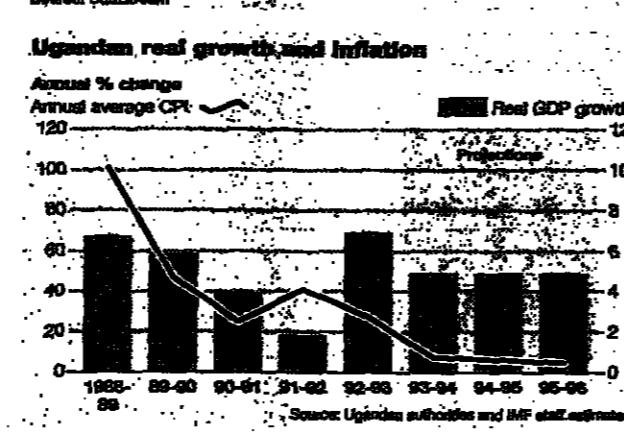
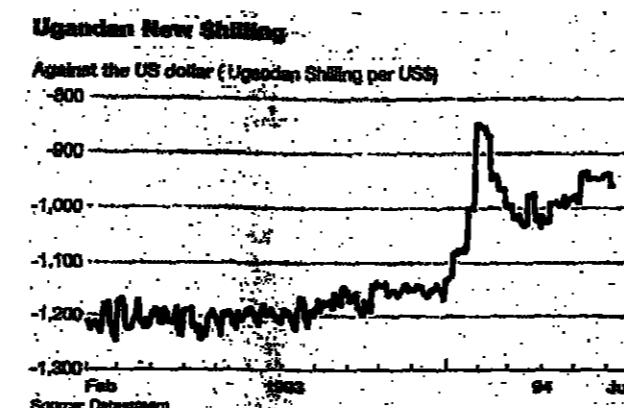
The business community has further concern - the appreciating shilling. High donor flows, improved coffee receipts and returning capital from Asian exiles have seen the currency strengthen from a high of 1,373 in January 1993 to a current level of around 980 to the dollar.

This has resulted in artificially high import levels, which hurt the domestic producer and has hit exporters.

Achievements notwithstanding, the task is a sobering one. If the economy maintains an annual average of 5 per cent growth and assuming population increase of between 2.5 and 3 per cent a year, it will take 30 years to double individuals' standards of living.

At the same time, Uganda must reduce aid and reach self-sustaining growth - the biggest challenge of all.

Michael Holman and Leslie Crawford



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However, few of the 100-odd companies in state hands have

the potential to break even. The government has only privatised a handful of enterprises since the programme began in 1981, designed to enhance the privatisation programme.

It has managed to attract around \$200m over two years, but it has not been an easy process. "Uganda has been isolated from the real world of investment for so long, it doesn't know what the outside world wants or what price it is prepared to pay for it," says a foreign consultant in Kampala.

From one insider comes this

Selected economic and financial indicators					
1988/89	89/90	90/91	91/92	92/93	93/94
Annual percentage change					
GDP at constant prices	6.7	5.9	3.9	1.8	7.0
Consumer prices	76.8	26.9	32.0	63.0	9.0
Year-end basis	102.2	48.1	24.5	42.2	26.3
Annual average					7.5
Per cent of GDP					
Current account deficit	9.8	10.5	8.3	5.2	3.3
Government budget deficit (including grants)	3.9	4.8	3.7	8.0	3.4
US\$bn					
Overall balance of payments	-103.0	-45.0	-101.3	-121.2	13.7
Foreign exchange reserves (in months of imports)	0.8	0.5	1.3	2.2	3.0
Projected					3.4

Source: Uganda authorities and IMF estimates

Uganda's single largest foreign investment project, capable of boosting annual export earnings by 10 per cent a year over its 10-year life, is poised for take-off.

And has been for a good many years, sceptics might add - ever since the potential of a vast pyrite dump at Kilembe copper mine was first confirmed more than 10 years ago. This time it is different, say the project's backers, who point out that the scheme is now well down the road to fruition, while Uganda's political and economic climate has never been more encouraging.

Lying in the foothills of the Rwenzori mountains, on Uganda's western border with Zaire, the mine once produced 17,000 tonnes of blister copper a year.

But the advent of Amin, coupled with the slump in world prices, proved its downfall and its operational days as a copper mine are almost certainly over.

The foreign exchange bonanza lies above ground, in the im-tonnes pile of pyrite concentrate accumulated since the mine opened in 1956. It contains 1.4 per cent cobalt, valued at about \$200m, fluctuating according to world prices, and this can be recovered.

Even allowing for capital outlay (about \$40m) and running costs, the net foreign exchange benefits are enormous for a country whose total exports last year were worth US\$124m.

Efforts to start the project go back to 1991 when Bureau de Recherche Géologiques et Miniers (BRGM) of France produced for Kilembe Mines Ltd a pre-feasibility study which con-

cluded that treatment of the pyrite by bleaching was the most economic and environmentally safe way of recovering the cobalt.

In June 1992, the Ugandan government signed a joint venture agreement with BRGM and Barclays Metals Ltd (BML) of the UK to undertake the project. The new Kasese Cobalt Company will be jointly owned by the parastatal, Kilembe Mines Ltd with a 45 per cent shareholding, BRGM (27.5) and BML (27.5).

Results from a pilot plant constructed at nearby Kasese in 1993 confirmed its viability, and annual production of 1,000 tonnes over a 10 to 12 years.

A feasibility study followed, which confirms the merits of the project. All being well, commercial production could begin within two years.

Michael Holman

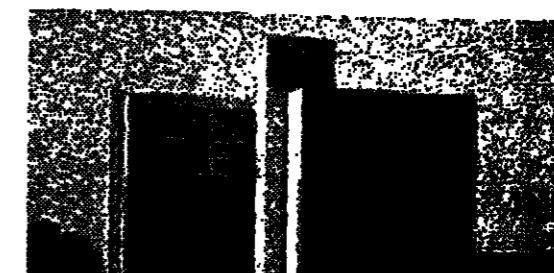
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The heart of Bwindi's Impenetrable Forest in southern Uganda is home to almost half the world's population of mountain gorillas — a rare and endangered species of which fewer than 650 remain. To protect Bwindi's gentle giants, gorilla tracking permits are strictly rationed: only six visitors are allowed to enter Bwindi national park each day. Even if gorillas are not sighted, the experience of exploring Bwindi's virgin jungle, under the canopy of huge tropical hardwoods, lianas and orchids, is mysterious and unforgettable.

For the foreseeable future, Uganda's appeal to the foreign visitor will centre on "special interest" activities: mountain trekking in the Ruwenzoris — the legendary Mountains of the Moon; a visit to Bwindi, or the equally remote savannah grasslands of the Kilepo Valley near the frontier with Sudan. It is also in Uganda where the Nile begins its 4,000-mile journey to the Mediterranean.

International tour operators have begun to include Uganda on their East African safari circuits, encouraged by the country's efforts to recover its neglected tourism infrastructure. Abercrombie & Kent have set up two tented camps near Bwindi and Murchison Falls, and plan to transform the Lake Victoria Hotel near Entebbe into their five-star showcase in Uganda. Tim Somerset Webb, president of A&K Overseas Ltd, says he is finalising an agreement for the management contract and an equity participation in Lake Victoria Hotel with the state-



Almost half the world's mountain gorillas are found in Uganda

Leslie Crawford looks at tourism

## On the track of gentle giants

owned Uganda Hotels Ltd.

Accommodation in Kampala remains overpriced and somewhat below international standards, but a number of hotels in the capital are undergoing upgrading and renovation. About 40 local tour operators provide an increasing range of services for the adventurous traveller.

At the Uganda Tourist Board, above the British Council offices in Kampala, Freddie Irumba likes to take the

long-term view. "We have to be both cautious and sensible about promoting Uganda as a holiday destination," he says. "Until our hotels are rehabilitated, the road network improved and our passenger handling facilities at the airport are up to scratch, we should not aim to attract large numbers of visitors." He says the number of visitors is rising by 20 per cent each year, and estimates arrivals will top 80,000 in 1994.

The opening of the Masala Chaat Indian takeaway in Kampala was a grand affair. Its concrete backyard brimmed with the cream of Ugandan society. Government dignitaries mingled with bankers; the US ambassador chatted with Asian and Ugandan families. Ms Mumtaz Kaseem, a returned Ugandan Asian, surveyed her restaurant with satisfaction. Her guest of honour, Finance Minister Joshua Mayanja-Nkangi, delivered an effusive inauguration speech.

They were celebrating, in a modest way, the seven years of stability which have allowed Ugandans to start rebuilding their lives. Small ventures such as Ms Kaseem's takeaway are a psychological boost to a capital still haunted by abandoned villas and boarded-up businesses. Kampala, like the rest of the country, is only a shadow of its former self. But there is a mood of optimism and a sense of renewal which are rare in Africa today.

President Yoweri Museveni, the architect of Uganda's newfound stability, is not an easy man to define. An intellectual-turned-soldier, he would be the

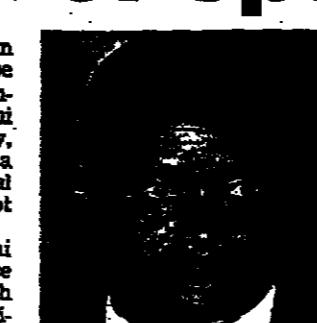
World Bank's model African statesman — if only he could be persuaded to accept western-style democracy. Mr Museveni advocates an open economy, respect for human rights, a free press and contested local elections, but he does not believe in multiparty politics.

In its stead, Mr Museveni offers his National Resistance Movement, a broad church which has taken several political opponents into its fold.

At the village level, Mr Museveni has introduced elected "resistance councils" which decide local tax and spending policies and keep government officials in check.

Most Ugandans regard the councils as better than the former system, inherited from colonial rule, in which government-appointed village chiefs were a law unto themselves.

The resistance councils in turn nominate delegates to the next



President Museveni: architect of Uganda's newfound stability

dates to stand as individuals, rather than as representatives of parties. Mr Museveni ensures there can be no organised challenge to his power.

"This is not a perpetual situation," Eriya Kategaya, the NRM's national political commissar, says in defence of the "movement system" of government.

"We do not rule out a multi-party system for Uganda in the future, but for the time being, people still associate the old political parties with chaos."

The NRM does not seek to obliterate ethnic or religious differences. Mr Kategaya adds, "it wants to obliterate the misuse of ethnicity and religion for political ends."

As a result, the March elections for a constituent assembly to design Uganda's new constitution were not without an element of confusion. Political rallies were banned, and candidates were forbidden to reveal their political allegiances, although these were well known among the voters. Instead, they were allowed to "debate" their views in meetings organised by local electoral commissions.

The most hotly debated issue was a clause in the draft constitution that seeks to ban mul-

tiparty politics for another five years.

Mr Museveni's detractors — mainly northern and eastern communities which formed the stronghold for Milton Obote, a former president now living in exile — regard the Constituent Assembly as an attempt to legitimise the NRM and Mr Museveni's unelected rule.

"The law has locked us out," says Mrs Cecilia Owalo of Mr Obote's Uganda Peoples Congress. "Why should we have to field candidates clandestinely? Why are western donors backing Museveni's regime? They are apologists for a manipulated democracy."

But Mr Museveni's victory in presidential elections due later this year is already a foregone conclusion. Since the new constitution allows a president to serve for two consecutive five-year terms, Mr Museveni could well be in power until 2004.

The fact that this does not alarm a majority of Ugandans speaks for Mr Museveni's unrivalled popularity and for the overriding value placed on peace and stability. Most Ugandans believe multiparty democracy can wait.

However, even Mr Museveni's supporters worry about the stability of a political system which hinges entirely on the will of one man. The wounds in Ugandan society run deep, and nobody cares to speculate about what would happen to the country if Mr Museveni were suddenly no longer on the scene.

Leslie Crawford on seven years of political stability

## Mood of optimism

World Bank's model African statesman — if only he could be persuaded to accept western-style democracy. Mr Museveni advocates an open economy, respect for human rights, a free press and contested local elections, but he does not believe in multiparty politics.

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The group of visitors from Kampala waited for the owner to unlock the doors with the tense anticipation of Egyptologists unsealing the burial chamber of a pyramid.

It was only a run-down warehouse, just off the main street of Gulu, in north-west Uganda. But earlier investigation had suggested that what it might contain could assist the recovery of a town battered by past

The warehouse owner unlocked the padlock, the doors creaked open. Amid gags of astonishment a shaft of sunlight revealed the contents of the gloomy interior: several huge wood crates.

A few puffs of breath dispelled the layer of dust,

Michael Holman visits a town that has discovered new hope for the future

## Door to recovery unlocked

exposed the hieroglyphics below, *Georg Salm, Escrava, West Germany, old Mbomo*, and confirmed that the crates, dispatched in 1983, contained hundreds of thousands of dollars worth of weaving equipment. More than 10 years later, they remained as securely sealed as the day they were sent on a 10,000-mile journey to a town in a cotton-growing region of central Africa.

Martin Hogg, deputy executive director of the Uganda Investment Authority, whose

inquiries led to the find, will help co-ordinate efforts to put the machinery to work.

The next stop was a possible beneficiary — the ginnery owned by the members of the West Acholi Co-operative Union, where Mr R.A. Oeneke, the manager, sets the machines running to demonstrate progress in the factory's rehabilitation, a critical step in Gulu's recovery.

Like everything else, the cotton sector was destroyed by a war that goes back to 1986. But the first step to recovery

has been the peace initiative, spearheaded by Mrs Betty Bigombe, minister of state of the prime minister's office who also has responsibility for implementing the government's northern Uganda rehabilitation programme.

Peace has allowed the railway to Gulu to operate after a lengthy break, and at the market that springs up alongside the station on the day the train comes in, sorghum, maize, ground nuts, beans and sugar cane are plentiful, along with what must be some of the world's cheapest and most succulent mangoes.

They would cost at least a dollar or more in the supermarkets of Europe. In Gulu, the surplus overwhelms the market, and a bucketful goes for 50 shillings (5 US cents).

Phillip Wilson Odong, the deputy central government representative in Gulu, enthusiastically supports a suggestion that the mango flesh could be dried, packed, and exported.

Later in the day at Arua, about 100 miles to the west, and a handful of miles from Zaire, a drive around the town shows that there, too, life is slowly recovering, but, unlike Gulu, power comes from a generator and contact with the outside world is by radio.

Awongo Ahmed, the central government representative, supports Mr Hogg's proposal that the Investment Agency help establish a bonded warehouse that could cater for traders from across the border.

But Arua is uncomfortably close to Sudan, where the civil war in the south seems to get worse by the day, forcing more and more civilians to take refuge in Uganda; and nor is Gulu immune from the fighting. If Ugandans are to be certain that they can live in peace, their neighbours must also settle their internal disputes.

The Uganda Development Corporation (UDC) was created to promote and spearhead the industrial and economic development of the country. The first two decades of its existence 1952-1972 witnessed a very sound establishment of the industrial and commercial base. Uganda exported surplus goods to the neighbouring countries. However, UDC's resolve to spearhead this country's development was badly affected by economic decay and stagnation in the 1970s.

The NRM Government's determination to rehabilitate and reconstruct the country's shattered economy is very well known. UDC is to play a lead role in promoting this policy. The NRM Government has decided that UDC should be restructured and sufficiently funded to continue to promote industrial and economic development. UDC will no longer, as it used to do in the past, involve itself in the management of subsidiary and associated companies. All its former companies will be divested. Under the new mandate it will promote development through investing in industrial and mining projects that are not immediately attractive to the private sector. The idea is that when the projects have been established and start production, UDC should divest them to the private sector.

Currently UDC is promoting the following projects:

- (i) The Phosphate-Fertiliser Project
- (ii) Lake Katwe Salt Project
- (iii) Lira Starch and Pharmaceutical Project

Projects which are being studied include:

- The Iron and Steel Project, the Pulp and Paper Project, the instant Coffee Project, the Sheet Glass Project and the mining of Marble.

For Project Profiles, any interested investor may contact the Chairman of:

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### POLICIES

The Government of Uganda is aware that the effectiveness of the Divestiture Programme in attracting investors will depend upon the overall investment climate as well as the attractiveness of the sales package for a particular public enterprise. Also, the government has taken measures to improve the investment climate in Uganda. Therefore, Government proposes to ensure investor interest in divestiture by:

- (i) Selecting public enterprises for divestiture that are attractive investments or potentially profitable;
- (ii) Ensuring that new owners would have access to term finance for rehabilitation of the Public Enterprise;
- (iii) Autonomy to manage the operations on fully commercial lines;
- (iv) Freely permitting funds held abroad by Ugandans/investors to be used for acquiring equity in divested Public Enterprises; and
- (v) Ensure adequate competition to public enterprises by not restricting entry of other enterprises into similar activities; and prompt the development and introduction of suitable regulatory mechanisms by the supervising ministries concerned, to promote private investment.

In conclusion, any investor who will participate in the divestiture of PEs programme in Uganda would exploit unlimited opportunities that exist in Uganda today. The success of PERD's programmes need a supporting hand from serious foreign and local investors ... therefore, turn your eyes to Uganda: "... a country poised to be a success story in Africa ..." to quote the IMF representative in Uganda.

For all enquiries contact:

### The Coordinator

Public Enterprises Reform and Divestiture Secretariat  
Ministry of Finance and Economic Planning  
6th Floor, IPS Building, Parliament Avenue  
PO Box 10844, Kampala, Uganda  
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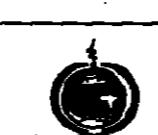
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**STRATEGY**  
The Uganda Government has classified those Public Enterprises it will keep under its control, with majority or minority shareholding, those PEs which will be privatised, and those which will be liquidated. As a result 101 commercially oriented public enterprises have been grouped into five classes (contact PERD for more details).

### PROGRAMME

To achieve the above objectives of Divestiture and of improving the performance of public enterprises the Government has sponsored the public reform and Divestiture programme through sector-wide studies and planning to identify the most effective means of bringing about such achievement.

political

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## LONDON STOCK EXCHANGE

## MARKET REPORT

## Political factors overshadow nervous session

By Terry Byland,  
UK Stock Market Editor

The sharper political focus as voting in both national by-elections and the elections for the European parliament took place in the UK yesterday left share prices to give ground in cautious trading. Rallies in government bonds, reflecting market doubts over prospects for Conservative candidates in the UK, also served to unsettle equities.

The FT-SE 100 index ended 9.3 down at 3,028.3, just above the lowest level of an erratic trading session. The FT-SE Mid 250 index ended a little better, shedding only 1.5 to 3,593.3, largely because second line issues were somewhat neglected.

There was some disappointment at the apparent unwillingness of the big institutions to maintain the

buying pressure of the previous session. However, Seagair price was nearly 16 per cent higher. On Wednesday retail value jumped to £1,350, compared with £928m and £765m respectively in the two preceding trading sessions, implying a welcome return to more normal trading levels.

Turnover was boosted yesterday by a large trading programme at mid-session, weighted to the sell side and comprising a wide range of Footsie and Mid 250 stocks. Hanson, Tescos, Glaxo, British Steel, British Gas and RAI Industries were prominent in the programme list. Two more smaller programmes were also identified.

Market strategists remained fairly optimistic, pointing to the sharp rise in UK industrial output announced this week. But, with vol-

atility in the European elections continuing over the weekend in some Continental countries, the markets expect to remain overshadowed for some days.

Investors were also looking ahead to next week when markets face a busier calendar of economic data on both sides of the Atlantic.

Equities attempted in early dealings to extend the recovery of the previous day but were checked by a

general malaise in bond markets across Europe, although the Bundesbank decision to leave rates unchanged was no surprise. A gain of 6 Footsie points was soon reversed, and at the day's low of 3,025.6 the index was more than 12 points down.

London was unsettled at the end of trading by a hesitant start on Wall Street, where the Dow showed a dip of nearly 3 points as the UK markets closed. Some caution was expressed ahead of the announcement, expected today, of the latest producer price index in the US. On the whole, however, markets hope that Federal Reserve credit policy will remain benign, for the time being at least.

Trading statements from leading British companies were generally upbeat for market sentiment.

PowerGen, the electricity generator, pleased the market and the recent buyers of the shares by sharply increasing the dividend payout, thus underlining the yield attractions which have kept the sector in the centre of the stage during the recent market weakness. Also delivering good dividend news was John Matthay, the precious metals group.

The market seemed to take an optimistic view of the High Court ruling on Lloyds Bank's bid for Cheltenham and Gloucester Building Society, a move which could have widespread implications for the whole of the UK financial sector. The Lloyds Bank share price reacted only mildly, implying market belief that the £1.8bn bid will be reshaped as to secure legal and regulatory acceptance.

## NEW HIGHS AND LOWS FOR 1994

NEW HIGHS 1994

BANKS &amp; BDG MATLS &amp; MFGTS (1) Capa.

DIVERSIFIED INDLS (1) MACHIN, MEC.

ELECTR EQUIP (1) MACHIN, MEC.

FARMLAND (1) MFGTS (1) MFGTS

FOOD (1) MFGTS (1) MFGTS

HOUSEHOLD, EXTRACTIVE INDLS (1) FOOD

INDUS, EXTRACTIVE INDLS (1) FOOD







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## CURRENCIES AND MONEY

## MARKETS REPORT

## Market waits for US PPI

The dollar traded in a fairly narrow range yesterday ahead of the release today of the May producer price inflation figure, write Philip Gauth and Motochi Rich.

The US currency gained some support, however, following concerns about escalating tensions in the Korean peninsula. The dollar closed in London at DM1.6721 against the D-Mark, from DM1.6698. Against the yen it closed at Y104.155 from Y104.030.

Markets were generally fairly quiet in the absence of any new developments to latch onto. European election results will not be known until Monday, and the decision of the Bundesbank council to leave interest rates unchanged was widely expected.

Sterling finished firmer against the D-Mark at DM2.5206 from DM2.5163. It was barely changed against the dollar at \$1.5075 from \$1.507.

The market is expecting a fairly subdued PPI figure today of about 0.2 per cent. But Mr Peter Oster, economist at brokers GNL, warns that "the risks have to be stacked towards the fact that at some stage a shock high monthly figure will be seen and we expect the market will take this very badly."

He says that factors such as higher crude oil and commodity prices, as well as higher capacity utilisation, can be expected to feed through into higher inflation.

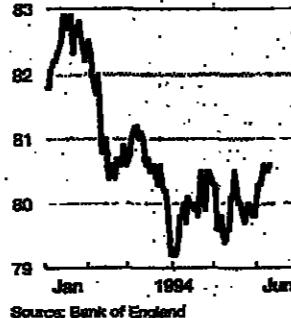
The implications for the dollar are unclear. Recently the dollar and the US treasury bond market have traded in tandem. But Mr George Maguire, chief economist at S.G.Warburg, has pointed out that "the positive correlation between the dollar and the T-bond market has rarely been strong for long periods of time and is mostly negative."

Mr Steve Hannah, head of research at IRI International in London, said the dollar/D-Mark rate was likely to stay in a narrow range unless a "major surprise" came out of the PPI or CPI number next Tuesday.

On the dollar/yen axis, however, Mr Hannah said he believed there had been a definite shift in attitude recently.

## Sterling

Trade-weighted Index (1965=100)



Source: Bank of England

£ Pound in New York

Jan 9 - Lastest - Prev. close

5 days 1.5065 1.5195

1 mth 1.5057 1.5037

3 mth 1.5043 1.5083

1 yr 1.5067 1.5027

Despite Mr Brown and Mr Kanto still talking tough, he felt the administration "did not see a weaker dollar as a way of getting around this problem."

"There is a lot of hesitation among speculators to push the yen too much towards the Y103 level," said Mr Hannah.

The market is expecting the Bank of Japan's quarterly Tankan survey of industry, released today, to show a modest rise in business optimism. A better than expected outcome could bolster the yen.

In Europe, currencies paid little attention to the European elections with results not expected until after the weekend. "There has been no adverse effect on the Scandinavian economies which have been the main targets of speculation," said Mr Adrian Cunningham, international economist at UBS. "It seems to be an issue that was a focus earlier in the week."

The D-Mark continued on its weak trend of the past 48 hours. Mr Avinash Persaud, head of currency research at JP Morgan (Europe), attributed this to diminishing faith in the credibility of the Bundesbank.

"The D-Mark's weakness is something of a surprise given the strength of manufacturing and inflation data," he said.

"The German currency's weakness must be to some extent relate to fresh concerns about the Bundesbank's poor performance," he said.

Mr Cunningham said sterling had benefitted from the weakness of the D-Mark. He predicted that European and by-elections would probably have little effect on the pound because forecasts in the last 24 hours had anticipated "less than devastating results" for the Tories.

Futures markets were quiet with the December short sterling contract trading only 15,000 lots. It closed at 93.77 from 93.79. The futures market is thus discounting short-term interest rates nearly one percentage point higher by the end of the year than the present 5.25 per cent. But many economists believe interest rates may well finish the year at current levels, or only marginally higher.

Mr Oster of GNL, however, notes that at the last six settlements that for short-sterling contracts, the difference between the settlement price and the base rate was less than ten basis points. This suggests that the futures market is currently over-pessimistic about the outlook for UK interest rates.

In the UK money markets the Bank of England provided \$25m assistance after forecasting a shortage of £500m. Overnight money traded between 3% per cent and 4% per cent.

In Germany call money eased to 4.95% per cent from 5.05% per cent.

## OTHER CURRENCIES

Jan 9 £ \$

Denmark 158.93 158.51 104.00

France 267.07 264.00 176.00

Italy 4.4897 4.4899 0.2944

Poland 3421.2 3427.2 2720.0

Spain 235.10 234.0 194.70

Sweden 5.9354 5.9364 0.1930

UK 51.88 51.85 3.26

Canada (C\$) 25.24 24.99 1.217

US 5.08 5.08 0.1930

Japan 17.304 17.304 1.217

Euro 9.72 9.731 0.8303

Yen per 1,000: Danish Krone, French Franc, Norwegian Krone, and Swedish Krona per £0.10; Belgian Franc, Euro, Lira, and Peseta per 100.

■ D-MARK FUTURES (MM) DM 125,000 per DM

Open Latest Change High Low Est. vol Open Int.

Jun 0.5991 0.5985 -0.0003 0.5975 16,293 94,656

Sep 0.5978 0.5979 +0.0003 0.5972 44,998 47,277

Dec 0.5979 0.5980 +0.0008 0.5978 254 684

■ SWISS FRANC FUTURES (MM) SF 125,000 per SF

Open Latest Change High Low Est. vol Open Int.

Jun 0.7074 0.7075 +0.0007 0.7076 0.7074 4,287 25,200

Sep 0.7094 0.7090 +0.0011 0.7097 14,768 22,887

Dec 0.7095 0.7095 +0.0011 0.7097 14,768 22,887

## CROSS RATES AND DERIVATIVES

## EXCHANGE CROSS RATES

Jan 9 BFR DM FFY DM

Belgium 100 18.95 16.55 4.659

Denmark 54.75 10 2.282 2.583

France 60.44 11.46 10 2.337

Germany 20.34 3.921 3.405 1.07

Ireland 50.83 8.375 3.252 2.460

Italy 2.127 0.403 0.352 1.023

Netherlands 18.37 3.043 0.983 0.863

Norway 47.85 0.915 0.789 2.311

Portugal 1.207 0.242 0.222 0.228

Spain 25.18 4.774 4.167 1.224

Sweden 43.41 2.930 2.110 0.959

Switzerland 24.87 4.013 4.026 1.182

UK 51.88 5.9354 5.9364 0.261

Canada (C\$) 25.24 24.99 1.217

US 5.08 5.08 0.1930

Japan 17.304 17.304 1.217

Euro 9.72 9.731 0.8303

Yen per 1,000: Danish Krone, French Franc, Norwegian Krone, and Swedish Krona per £0.10; Belgian Franc, Euro, Lira, and Peseta per 100.

■ JAPANESE YEN FUTURES (MM) Yen 12.5 per Yen 100

Open Latest Change High Low Est. vol Open Int.

Jun 0.5983 0.5983 -0.0007 0.5982 12,071 33,888

Sep 0.5978 0.5978 +0.0003 0.5978 26,011 46,082

Dec 0.5980 0.5980 +0.0008 0.5978 1,400

■ SWISS FRANC FUTURES (MM) SF 125,000 per SF

Open Latest Change High Low Est. vol Open Int.

Jun 0.7074 0.7075 +0.0007 0.7076 0.7074 4,287 25,200

Sep 0.7094 0.7090 +0.0011 0.7097 14,768 22,887

Dec 0.7095 0.7095 +0.0011 0.7097 14,768 22,887

■ WORLD INTEREST RATES

## MONEY RATES

June 9 Over One Three Six One

night month mths

Over one month

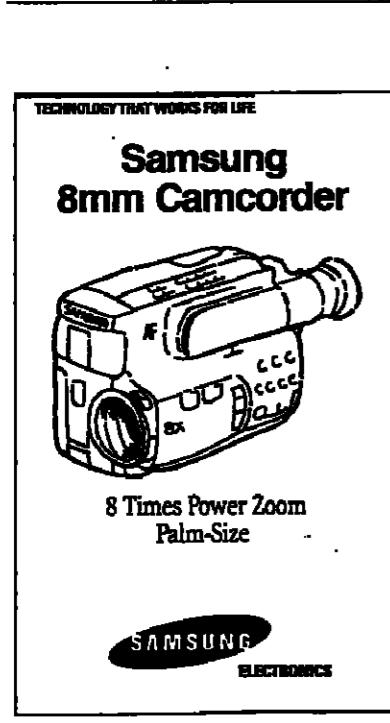
Over one year



## **NEW YORK STOCK EXCHANGE COMPOSITE PRICES**

*4 pm close June*

Continued on next page







## RECRUITMENT

Jobs: Proving that it is not only the Names who are suffering from the continuing fall-out at Lloyd's

## Peer pressure for jobs in the City

There he was, a fully fledged peer of the realm, monocled, cufflinks, tortoise shell spectacles, navy tie with pink spots, sitting behind a desk in an upplacement centre looking for a job.

Rather like finding the Queen Mother in Ladbrooke's, it just didn't seem right that a paid up member of the aristocracy should be reduced to the ranks of the unemployed.

Lord Stratthalmont thought differently. Out of a job at the R.W. Sturge Syndicate in Lloyd's, he is undergoing an upplacement course tailored to executives at KPMG Career Consultancy Services.

He is better off than most. Financially, the wolf is still some way from the door. He has a network of old friends and contacts that should, in theory, be able to provide a safety net of sorts. But Stratthalmont is reluctant to rely on the old school tie.

He was managing director of the member agency at Sturge before it was reorganised in line with Lloyd's recommendations for members to have greater independence from their managing agents, something which Stratthalmont himself supported.

Now, at the age of 46, he has found himself for the first time in

his life standing back and taking a long hard look at his future. The experience, he admits, is not free from fear or worry. But he is far from downhearted. "I have always believed that change is the best sort of challenge," he says.

The upplacement was included as an optional part of his severance package. It gives him the use of an office and secretary and access to training sessions and techniques aimed at improving his chances of finding employment.

As a qualified chartered accountant, Stratthalmont should not find opportunities wanting, but he is concerned to find the right kind of job and has set himself a nine-month target to find a suitable position. What this may be is not yet clear but he says he is seeking a job that will best utilise his skills.

"I want something to which I can add value. I know that when it feels right I will be able to tell."

Stratthalmont's position demonstrates that unemployment is no longer the preserve of the unskilled or unqualified. He is, however, obtaining the kind of help with job search not normally provided for

the laid-off production worker.

The executive programme at KPMG provides private offices and secretaries on a separate floor of the consultancy. The idea is to provide a more sophisticated upplacement service, partly to soothe the bruised pride of losing a top job, and partly in recognition that the shock of losing the trappings of position can often be as severe as that of losing the job itself.

Other job-seeking managers and staff work in an open plan office environment where all have access to telephones, a research department and various classes, such as programmes on telephone technique or negotiating skills. One obvious benefit of this arrangement is that all also have access to each other to share their experiences.

One of the most striking impressions of upplacement is that it helps restore morale and gives people time to think about their future careers.

Roger Shipton, a consultancy partner, said: "Getting another job is not as difficult as some people suggest but it is critical that people take the time to assess what they

particularly want to do. That way they are more likely to find the right job."

### Opting for change

Worried about your executive share options? There is nothing to fear, according to a new survey which shows they are alive and kicking in spite of shareholder criticisms of executives cashing in on huge share price multiples that tended to flatten their individual performance record.

There is evidence that some companies are dithering about what scheme to offer next after the institutional backlash last year that led to the two big institutional bodies, the National Association of Pension Funds and the Association of British Insurers, to lay down criteria for performance conditions on the exercise of options.

The vast majority of those renewing schemes, however, are now including performance conditions. An analysis of shareholder documents issued since mid-July and the end of May found that 39 of the top 350 UK-listed companies have asked

shareholders to renew their 10-year old schemes.

Only three of the companies said they were not imposing performance conditions on the options.

Surprisingly 11 companies asked for and obtained approvals from shareholders for unspecific schemes although the boards gave assurances that they would include conditions.

New Bridge Consultants, which carried out the survey, ventured that most of these were probably waiting to see what other companies were doing before committing themselves.

Of the 25 companies which have

stated their condition, most - 64 per cent of them - have chosen Earnings Per Share as a performance measure. Some 16 per cent of the companies are using share price and 20 per cent have opted for the concept of total shareholder return (growth in share price plus dividends).

The study also looked at the targets chosen by companies and although the information was

unclear in 13 per cent of companies using EPS, the vast majority - 37

per cent - are measuring its growth against the Retail Prices Index.

Of those companies, 71 per cent use a formula of RPI plus 2 per cent per annum over a three-year period.

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Surprisingly 11 companies asked

# Managing Director – Finance

or

## Head of Risk Management

### Investment Bank

**£100,000 – £300,000**

Our client is a respected and highly profitable bank based in the City with overseas offices. There is an immediate need to establish a new risk management function. Longer term, a Managing Director is required to head all the bank's support services: financial control, credit control, systems, treasury, compliance and audit. An exceptional candidate could succeed the bank's Chief Executive in the medium term.

Our client will make a single appointment - hence the wide remuneration range and alternative job titles.

Applicants' names will not be disclosed to our client or to anyone else without their specific approval.

Please apply to James Hervey-Bathurst.

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Glasgow 041 204 4334 • Leeds 0532 453830  
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# INVESTMENT MARKETING MANAGER GLASGOW

Scottish Mutual, as part of an expanding blue chip organisation with assets under management of around £60 billion is a highly successful Life Assurance, Pensions and Investment Management Company.

To meet new demands we are currently seeking to recruit an additional Investment Marketing Manager who will report to the Head of Investment Marketing. This varied and challenging role involves supporting the Company's sales network, marketing to independent Financial Advisers, writing investment reports and presenting Pension Scheme Trustee.

Excellent marketing and presentation skills are required together with the ability to communicate fluently. Applicants should have 3-5 years' investment experience and be able to work with minimum supervision.

The Company offers a competitive salary together with financial service benefits.

To apply for this position and to assist in meeting selection process requirements, please send a curriculum vitae stating your current salary and apply in writing for an application form to Sheila Hogg, Personnel Officer, Scottish Mutual Assurance plc, 109 St. Vincent Street, Glasgow G2 5HN or telephone 041-275 2286, 9am to 5pm weekdays.

To support a healthy work environment, Scottish Mutual has a no smoking policy.

In pursuing our policy of equality of opportunity, Scottish Mutual positively welcomes applications from every section of the community.

**Scottish Mutual**

**BBC** **BBC** **BBC**

### BBC News & Current Affairs The 'Today' Programme News Programmes

#### Senior Broadcast Journalist (Business Correspondent)

At 6.45 am and 8.30 am each weekday, Today provides business and economic news for one of Britain's biggest morning audiences - including most of the nation's opinion formers. We are now looking for someone to take on the preparation and presentation of this vital element of the programme.

Applicants must have thorough knowledge of industry, financial institutions, and employment issues. They must be excellent broadcasters with the ability to handle complex subjects in a way understandable to millions of listeners. The job is demanding since it involves a very early start to the day - and we are looking for someone who is keen to bring an innovative approach to the whole of Today's business coverage.

These posts will be offered on a fixed-term contract basis. Experience is likely to merit a total salary package up to £40,000 p.a. London based.

For further information please contact Rod Liddle or Andrew Hawken (Assistant Editors) on 071-765 6666.

For an application form send a postcard (quote ref. 16550/7) by June 14th to BBC Recruitment Services, PO Box 7000, London W12 2TY. Tel: 081-749 7000. Minicom 081-753 6151.

Application forms to be returned by June 20th.

Applications would be particularly welcome from suitably qualified or experienced women/members of ethnic minorities who are currently under-represented at this level in NCA.

**WORKING FOR EQUALITY OF OPPORTUNITY**

### PORTFOLIO MANAGER EQUITIES (FAR EAST)

We have earned our investment reputation for excellence and leadership from an ongoing commitment to a fundamental value approach to security analysis. Our principal business is the management of investment portfolios on behalf of clients, while maintaining our own portfolio of quoted and unquoted securities. Total assets under management currently exceed \$3 billion (Cdn.).

We are looking for a Far East equities portfolio specialist who brings his/her experience and knowledge to our professional and focused group. The new member of the team must be able to operate in a collegial environment, bringing added value of Far East market knowledge, contacts and experience. We use a top down approach for asset and country selection and bottom up for stock selection.

Your undergraduate, post-graduate and CFA designations are complemented by a demonstrated track record of 5+ years of portfolio management in this region. You will need to speak English, with excellent presentation skills and a readiness to relocate to Toronto (Canada).

Please send your resume to the attention of Ms. Stella Wong, Smith, Lyons, Torrance, Stevenson and Mayer, Suite 3104-3106, 31st Floor, Central Plaza, 18 Harbour Road, Hong Kong in complete confidence. Only those considered will be contacted and interviewed in Hong Kong. We regret, no telephone calls, please.

## INVESTMENT MANAGEMENT ECONOMIST

*Our client is an independent investment house which has experienced strong growth in recent years.*

It wishes to recruit an Economist to be responsible for global economic analysis and to advise on economic and political developments in support of the asset allocation process.

The successful candidate, aged late 20s/early 30s, must have a sound economic background and a minimum of 5 years' experience as an Economist or Strategist in a financial environment. The person will be expected to make a significant contribution to investment strategy as a member of the investment team and have the ability to work independently. The candidate should have excellent report writing skills and be able to convey ideas articulately.

This is a key appointment and an attractive salary and generous bonus and benefits package is available.

*Please apply in writing, with your cv, to Martin Symon at the address below.*  
Jonathan Wren & Co. Limited, Financial Recruitment Consultants  
No. 1 New Street, London EC2M 4TP Tel: 071-623 1266 Fax: 071-626 5259

**JONATHAN WREN EXECUTIVE**

## CROSBY SECURITIES

### CHALLENGING CAREER IN THE ASIAN EMERGING MARKETS INVESTMENT FIELD

You are in your late 20s or early 30s. You are currently enjoying a successful career in commerce in a fast moving environment in the financial centres of London or New York.

You are looking for a challenging career with an international dimension with substantially better rewards than you are currently enjoying.

You have demonstrated outstanding education achievement and can assimilate and analyse large quantities of financial and macro economic information. You have a strong entrepreneurial flair and a demonstrable record of success.

This will be a key position within Crosby Securities who is a leading international stockbroker covering the Asian markets and servicing large institutions who invest in the region. After extensive training you will return to London to provide investment advice at a senior level to some of Europe's leading investment institutions.

*Please send full CV/resume stating salary to:*

Annie Armandias  
Crosby Securities (UK) Limited  
3rd Floor, 95 Aldwych  
London WC2B 4JF

Hannah Podob  
Crosby Securities, Inc.  
650 Fifth Avenue  
New York, NY 10019

## CROSBY SECURITIES

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## HILL SAMUEL INVESTMENT MANAGEMENT GROUP

### Training Manager

We are a fast-growing integrated group of five retail and institutional investment businesses managing multi-billion pound funds around the world. We are now looking for a dynamic young training professional who will augment and complement a committed HR function.

This is a new role, reporting to the Director of Personnel, responsible for the development of a programme of training initiatives and courses to help fulfil the Group's objectives. The primary purpose is to add value to the business through co-ordination of the skills training and development of some 400 people. You will manage in-house and external provision for many facets, including professional training of Fund Managers, and will personally conduct in-house courses where appropriate.

Salary and benefits package negotiable to £35,000. Moving into superb new offices near St. Paul's. A rewarding assignment offering considerable scope to the ambitious.

Please send a full CV including current salary, in confidence, to John Miller, Director of Personnel, Hill Samuel Investment Management Group, 45 Beech Street, London EC2P 2LX. Telephone: 071-638 1774. Fax: 071-638 3840.

**HSMG - Investing in equality of opportunity.**  
A member of the TSB Group.

### INVESTORS CHRONICLE COMPANIES WRITER

We require two investment analysts/financial journalists for our companies and smaller companies sections. The jobs are interesting and responsible, analysing the performance of quoted companies and giving an informed comment on the shares. Each companies writer has his/her own sectors but is expected to work as a member of the team. The smaller companies writer needs to have the investment know-how to generate his/her own share tips.

Candidates need to be able to interpret a company's financial performance, assess its likely impact on the share price and put this into clear, concise and entertaining language while meeting demanding deadlines.

Please send CV with hand-written letter to Carl Jones,  
The Editor, Investors Chronicle  
Grosvenor Place, Fetter Lane, London EC4A 1JD

# Nomura Bank International plc

## Corporate Banking

### Marketing Officer

Nomura Bank is part of the Nomura Group which is one of the world's major financial institutions. Nomura in London is the centre of a European operation providing a comprehensive and growing range of Corporate Banking and International Treasury services to customers. The Bank's chosen market is major Corporate and Institutional Groups throughout Europe.

As part of the Bank's strategy for expanding our banking activities in London and Europe we now wish to strengthen our UK Marketing Team by recruiting an experienced banker who will be able to develop current and new relationships quickly.

Successful applicants will be Graduates preferably ACIB or ACT qualified with a minimum of 5 years' experience

of marketing to major UK and/or European Corporates. Applicants with sound experience in marketing to non-bank Financial Institutions will also be considered. First class credit skills, a good track record of relationship development and a knowledge of Treasury related products are essential.

This is an excellent career opportunity as the Bank develops its new Banking strategy for the UK and Europe.

Please write with a full CV including salary details to: Linda Cobbold, Manager, Personnel, Nomura Bank International plc, Nomura House, 1 St. Martins-Le-Grand, London EC1A 4NP.



### RECRUITMENT CONSULTANTS GROUP

2 London Wall Buildings, London Wall, London EC2M 5PP  
Tel: 071-588 3588 or 071-588 3576  
Fax No. 071-256 6501

You are in institutional equities sales or Asian fund management: realise your full potential by using your transferable skills to sell Asian equities within Asia and other key locations worldwide. You will need to be free and willing to relocate to the appropriate location when and where required.

### SUB-CONTINENTAL EQUITIES SALES

SPECIALIST BROKING FIRM BACKED BY A MAJOR EUROPEAN BANK

#### CJA SUB-CONTINENTAL EQUITIES

##### NEW YORK/HONG KONG

For both these appointments we invite applications from candidates who must have been in Equities Sales or Asian fund management for at least 2 years, the former selling successfully to institutional investors. An understanding of immature markets is crucial. You will report to the country Chief and be responsible for selling Sub-continental Equities for the Hong Kong based assignment to the Asian client base and in New York to the US client base. Essential qualities are to be highly self motivated and results driven. Initial base salaries are negotiable in the range £40,000 - £70,000 (this could be more in exceptional cases) + bonus + significant cash based benefits.

Candidates wishing an initial discussion, please telephone 071 588 3588 during office hours or 0206 210069 at other times or write in confidence quoting appropriate reference HK4977/FT or NY4978/FT to the Managing Director, CJA.

##### CJRA SUB-CONTINENTAL EQUITIES

##### LONDON

For this assignment based in London, we are seeking similarly qualified candidates to the above to sell Sub-continental Equities to our clients within the UK and EEC. Here you will report to the Divisional Director. Ref: SEL2545/FT.

##### CJRA INDIAN EQUITIES

##### BOMBAY

##### INDIAN EQUITIES

£40,000 - £70,000 + BONUS + LOCAL BENEFITS

##### CJRA PAKISTANI EQUITIES

##### KARACHI

##### PAKISTANI EQUITIES

£40,000 - £70,000 + BONUS + LOCAL BENEFITS

##### CJRA KOREAN EQUITIES

##### LONDON

##### KOREAN EQUITIES

£40,000 - £70,000 + BONUS

Also for this same client we invite applications from candidates whose experience must include having sold Korean paper to a UK and EEC client base, and/or having been a Korean Fund Manager. Knowledge of the Korean language is desirable. This is a London based job, at least for the first 2 years, and then the position could relocate to the Korean office. Ref: KE2546/FT.

For all of the above four CJRA appointments we are particularly keen to hear from candidates in strict confidence by telephone on 071 638 4884, or alternatively written applications quoting the relevant reference number will be forwarded to our client. If there are any companies to whom you do not wish your application to be sent, these should be listed in a covering letter and the envelope marked for the attention of the Security Manager: CJRA



## Monitoring

### 'Supervision of Derivatives'

This Department, within the Securities and Investments Board (SIB), is responsible for supervising LIFFE, OMLX, LME, IPE, LCE and the London Clearing House. These are all "Recognised Bodies" (RBs) under the Financial Services Act.

The Head of Department wishes to appoint individuals at both a senior and junior level for roles which will include:

- Undertaking monitoring projects involving fact finding enquiries.
- Producing reports for external and internal consumption.
- Promoting relationships with staff at the RBs which will lead to the open exchange of information, views, regulatory ideas and suggestions.
- Reviewing follow-up action.

At the senior level, the successful applicant will organise/ supervise the work of the monitoring team, including training in monitoring methods, supervising and reviewing work done and documentation prepared and assessing performance. The junior appointee will provide advice and support to senior staff and will assist in supervision policy work.



Michael Page City  
International Recruitment Consultants  
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# Head of New Issues

## Global Capital Markets

### To £80,000 + Full Banking Benefits

City

Outstanding opportunity to build and lead full-service capital markets team.

#### THE COMPANY

- Major global banking group. Well established UK presence.
- London based securities subsidiary renowned for capital markets trading and product development.
- Quality client base serviced through international network.

#### THE POSITION

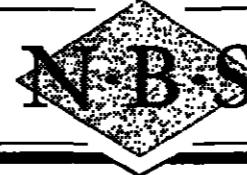
- Develop new issues activity particularly in Europe, North America and Far East.
- Establish and cultivate relationships with major banks and financial institutions.

- Lead marketing and syndications activity in debt and equity products. Drive major expansion.

#### QUALIFICATIONS

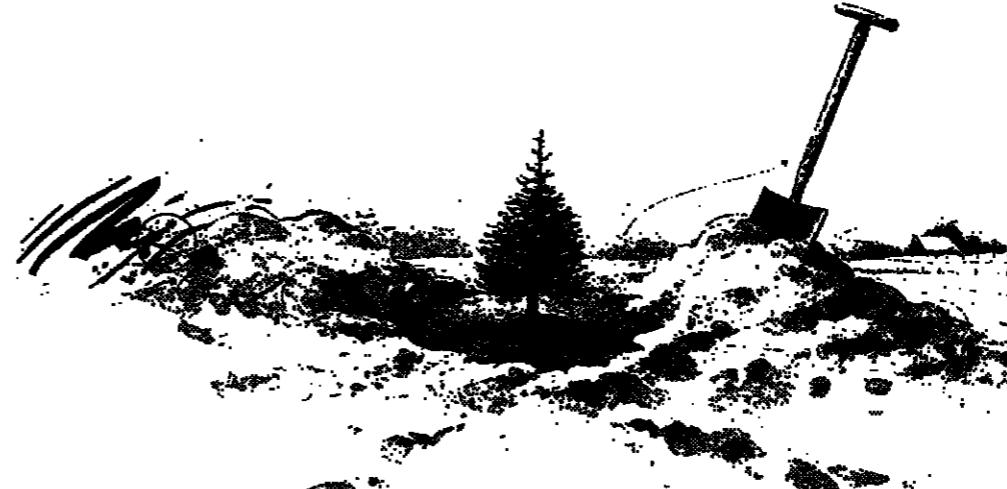
- Experienced new issues and syndications professional with leading investment house. Wide knowledge of capital markets products. Probably aged 28-35.
- Excellent client handling skills and ability to inspire small team.
- First class communicator. Committed, motivated, ambitious, with proven selling skills.

Please send full cv, stating salary, ref CN2292, to NBS, 54 Jermyn Street, London SW1Y 6LX



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Aberdeen 0224 638080 • Birmingham 021 233 6566  
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If you possess the energy, motivation and flexibility to succeed in an environment of healthy competitiveness, we would welcome your application. Please write, enclosing your CV, to Lynn Temple, Swiss Bank Corporation, Swiss Bank House, 1 High Timber Street, London EC4V 9SB.

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Please write, in the first instance, to:  
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Richard Fuller, Senior Human Resources Officer, Threadneedle Asset Management Ltd, 60 St Mary Axe, London EC3A 8JQ.

Threadneedle Asset Management is committed to equal opportunities and welcomes applications from all sections of the community.

## Threadneedle

Financial information is correct as at 31st December 1993.

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Please call or write to Joann Coster in strictest confidence at Armstrong International Limited, 1 Angel Court, London EC2R 7HJ. Tel: 071-606 0002

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Gearbulk Holding Limited, Bermuda is an international shipping company with a fleet of 43 open hatch vessels of about 40,000 dwt. Gearbulk (UK) Ltd., agent for the group, is based in Esher, Surrey and employs about 100 people.

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## Irish institute plays the game at both ends

Andrew Jack on the lessons to be learned from a professional body spanning either side of the border

**A**mong the handful of issues on which those on both sides of the Irish border see eye-to-eye is a holy trinity of rugby, the Catholic church and - most surprisingly - accountancy.

Like the sport and the religious hierarchy, the profession predates partition in 1922. With barriers since going up to divide north from south on so many topics, there is a strong case for those from outside the region to pay a little more attention to its experiences.

The Institute of Chartered Accountants in Ireland, the largest body in the region, bears the highly unusual responsibility of representing the profession in two countries. It is an arrangement that requires regular commuting, with offices in both Dublin and Belfast and the council rotating its meetings between the two cities.

Ask Mr Joe Gannon, a partner in Gilroy Gannon, a practice based in Sligo and the newly appointed president of the institute, what distinguishes it from its rivals in the UK, and he pauses briefly for thought. Then a proud list begins of differences and precedents that have since trickled across the Irish sea.

Take training in industry, a programme designed to allow chartered accountants to train outside public practice. Begun in 1983, the scheme currently operates for more than 60 students in an equivalent number of companies and government bodies. The idea has since been copied much more recently by the UK's chartered accountancy institutes, where it still remains proportionately far smaller.

Take, as a more recent example, financials, given that the institute managed to generate a surplus in its latest accounts to December 1993, compared with deficits at some of its leading competitor bodies.

However, one of the most important and often over-looked contributions of the institute was a small green document published in January 1992, 11 months before the Cadbury report on the financial aspects of corporate governance captured the headlines when it was launched in London.

The report by the commission of inquiry into the expectations of users of published financial statements - commonly known as the Ryan commission after its chairman - deserves a wider readership. Its remit was far wider than Cadbury, its recommendations more radical and its work more prompt in response to criticisms of the quality of published financial information.

The commission suggested that accounts should contain a statement of auditors' and directors' responsibilities (something since introduced in the UK by the Auditing Practices Board) which would include commentary on the state of internal financial controls (a topic still under debate following similar recommendations in Cadbury).

It called for the creation wherever possible of audit committees - ideally composed solely of non-executive directors - charged with overseeing financial reporting and internal controls, and (going further than Cadbury) ensuring the external auditors act independently of management.

The report called for full disclosure of directors' remuneration in the annual report, and for a detailed commentary in the chief executive's review of trends, uncertainties and plans (now endorsed in the operating and financial review guidelines issued last year by the Accounting Standards Board).

One area in which it borrowed from the UK was the suggestion that Ireland should set up its own Financial Reporting Review Panel, in line with the equivalent watchdog of the accounts of public limited companies in the UK. This is still being pursued by a committee of the Irish government created to examine revisions to the chartered bodies.

A disappointment of the institute is the slow or neglected implementation of the Ryan Commission. The report recommended that the review panel publish a report on cases of companies whose accounting it investigated - (rather than the brief public statement on companies found guilty as in the UK).

It called for the auditors to comment explicitly on the company's solvency at the balance sheet date, and for publication of their report to the audit committee if the company collapsed within 12 months after the date of an unqualified audit report.

It also wanted preliminary and interim statements to be audited if a proposal being examined in the UK, and a reduction of the maximum gross fees payable to a firm from 15 per cent to 5 per cent of total income. None of these radical

ideas has since been introduced. Perhaps an even more significant Irish invention now finding resonance in the UK has been "practice review".

While the UK bodies began to respond to the need for audit regulation following the 1988 Companies Act, the Irish opted to begin a voluntary system of visiting all 1,200 accountancy practitioners every five years back in 1987.

It drew on the experiences of the Ontario Institute's approach in Canada. Since then it used this approach, which has since been more reflected by the Chartered Association of Certified Accountants than the Joint Monitoring Unit, which covers the chartered bodies.

"Inspection is a bad word," says Mr Eugene MacMahon, head of the unit of three staff. "We consider ourselves educational and supportive. Members voted us in. This wasn't supposed to be a crusade to nail people to the cross, but a road to Damascus."

Although the figures have not been made public, it is believed that something like one-third of practitioners initially required a follow-up visit after staff identified flaws in their auditing that needed improvement - most typically a failure to document partners' decisions.

However, only six practitioners have been disciplined, and those firms requiring follow-up visits during the second round of inspections - now under way for two years - have roughly halved.

It is a softly-softly approach that has been since endorsed in a recent report on UK audit regulation

commissioned by the Department of Trade and Industry, and one which the Irish government has decided is well-suited to EU requirements for monitoring of the profession.

Looking forward, one of the top issues on Mr Gannon's agenda during the coming year in office is the consolidation of the profession, the most recent manifestation of which is the report of the working party chaired by Mr David Bishop of KPMG Peat Marwick, which earlier this year recommended an amalgamation of the six leading bodies.

"There is a perception that it is an English battle fought on Irish soil," says Mr Roger Hussey, the chief executive of the institute. "The last example of that was the battle of the Boyne and we don't want a repeat of that."

In Ireland, by contrast, Mr Gannon says the debate is less heated and there is a mood in favour of consolidation. "Bishop has given us the opportunity to talk in a calm atmosphere," he says.

This harmony comes in spite of the fact that the challenge should be greater, given not only the cross-border issues but also the presence of an additional professional body. All are co-ordinated by an Irish equivalent of the UK's consultative committee of accountancy bodies (which Mr Hussey was restrained from dubbing "MCAB").

Overall, it is too bad that there are not more examples in the broader political sphere of the innovative thought and co-operation between the UK and Ireland as accountancy seems to have fostered.

## Finance Director

Designate  
Construction Midlands

A well established, highly respected UK plc with a turnover of £150m requires a person with outstanding managerial and financial skills. As a member of the main board, you will be expected to formulate and maintain financial policy and make a significant contribution to the strategic management and profitable growth of the business.

This challenging and high profile role requires a qualified accountant, ideally mid thirties to mid forties, with considerable business acumen. It is essential you are a FCA with a minimum of five years' experience operating at a senior level within a plc and have a proven record of successful negotiations with banks and financial institutions. Experience of acquisitions, mergers and disposals is also essential.

To enable you to command the respect necessary to fulfil this role, you will need a dynamic, pro-active management style with excellent interpersonal and communication skills.

High levels of energy and enthusiasm are also required.

An excellent benefits package is offered including competitive salary and fully expensed car. Assistance with relocation will be offered where appropriate.

To apply, please send your CV including salary indicator and quoting reference CT on the envelope by 24th June: Kathy Ward, Personnel Advertising Limited, 30 Farringdon Street, London, EC1A 4EA.

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For further information please contact our advising consultants Sharmila Parekh or David Howell at Executive Match: 071-872 5544 (even. 081-363 0474) Fax: 071-753 2745, or write to them at:



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## Financial Controller

South Bucks to £32000+Bonus

Our client, a young dynamic North American based marketing company with its European Headquarters to the West of London, markets and distributes leisure and consumer based products. A significant proportion of the company's sales are achieved within continental Europe, which is poised on the edge of further expansion and growth.

An important aspect of the group's on-going development now requires the appointment of a Financial Controller who will report to and work closely with the UK Director of Finance and Operations. The position will take full control of and actively develop the accountancy function; that includes the preparation of monthly management and statutory accounts, the maintenance of financial controls, review and analysis of the company's financial position and the provision of further management data such as cash management, budgets and forecasts.

This opportunity will appeal to a mature commercially minded accountant aged late 20's/early 30's, who has sound technical experience coupled with the desire to be a key player in decision making within a fast moving environment. Being a lively self starter with good organisational skills, management ability, a sense of humour and a pragmatic approach to problem solving will be distinctively advantageous.

Please write enclosing full curriculum vitae quoting ref 625 to:  
Philip Cartwright FCA, Riverbank House, Putney Bridge Approach,  
London SW6 3JD Tel: 071 371 9191

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## Kaufmännische(r) Leiter(in)

Chief Financial Officer

Warner Bros und seine deutschen Geschäftspartner investieren derzeit 360 Millionen Mark in den Aufbau eines Freizeitparks und Filmstudios in Bottrop bei Düsseldorf, in dem es sich um deutsche und amerikanische Filme, Filmstars und Zeichentrickfiguren drehen wird. Die Eröffnung ist für April 1996 geplant, und es wird erwartet daß der Park einen jährlichen Umsatz von ungefähr 150 Millionen Mark erzielen wird. Sein Vorbild ist der äußerst erfolgreiche Warner Bros. Movie World Park an der Gold Coast in Australien, der sich seit seinem Eröffnungstag zum attraktivsten Ausflugsziel in Australien entwickelt hat.

Der Chief Financial Officer, der direkt an die Gesellschafter berichtet, wird eng mit dem General Manager zusammenarbeiten und für den gesamten Finanzbereich dieses Projekts verantwortlich sein. Dies beinhaltet den Aufbau von Kontakten zu externen Beratern und Banken; Überwachung der Baukosten; Einführung von Finanzbuchhaltungs-, Budget- und Managementinformationsystemen; Aufbau und Führung der Finanzabteilung; sowie Entwicklung und Überwachung eines kaufmännischen Kontrollwesens.

Sie suchen eine neue berufliche Herausforderung in der Übernahme einer kaufmännischen Leitungsfunktion. Ihre einschlägigen Erfahrungen haben Sie nach einem betriebswirtschaftlichen Studium idealerweise durch mehrjährige Tätigkeit bei international ausgerichteten Unternehmen oder bei WP- Gesellschaften erworben. Fähigkeiten im Aufbau eines komplexen kaufmännischen Berichtssystems sowie Kenntnisse des deutschen Steuerrechts werden ebenso vorausgesetzt wie verhandlungssichere Englischkenntnisse. Erfahrung im Bereich anglo-amerikanischer Berichterstattung ist von Vorteil.

Vorstellungsgespräche werden in Düsseldorf und London geführt.

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Für telefonische Rückfragen steht Ihnen Richard Holland gerne unter der Telefonnummer 00 44 71 489 6244 zur Verfügung. Bitte senden Sie Ihre Bewerbung in Englisch mit Lebenslauf und Gehaltsvorstellung unter Angabe der Referenz 1731 an Richard Holland.

BDO Consulting, 20 Old Bailey, GB-London EC4M 7BH.

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We are now looking to recruit a Treasury Manager to manage our loan portfolio, liquidity requirement and assist the Finance Director in developing financial strategies to support current and future commitments.

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- Excellent negotiating and influencing skills

An understanding of the current financial pressures on Social Housing is highly desirable.

Closing date: 18th June 1994.

Interview date: 1st July 1994.

An application form and further information can be obtained from:

# Head of Internal Audit

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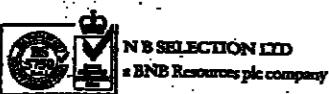
### City

Superb opportunity to manage group audit function in premier UK financial services company.

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## FINANCE DIRECTOR

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## Group Financial Director

### Engineering Industry

### East Anglia - £40-45k + Bonus + Car

A qualified accountant with experience in motivating and managing change within a manufacturing environment is required by our client to fulfil this newly created business management role.

With a worldwide customer base and an expertly engineered product range, our client sees the development of group-wide business standards and strategy as central to its future success. The ability to control day-to-day accounting activity across four subsidiaries, whilst maintaining long term vision will be fundamental to this role.

Key accountabilities will include formulating effective and responsive short, medium and long term business plans; improving the quality of management information; developing consistent procedures for monthly and annual reporting across the subsidiaries; and applying "right first time" quality standards to all accountancy activities.

Acting as a manager of change, most notably through raising the commercial awareness of non-financial managers, will require a significant level of personal credibility, supported by an open, motivational management style.

Interested applicants should write enclosing a CV and salary details to ERAS, 105 Denmark Street, Diss, Norfolk IP22 3LF, or telephone (0379) 652171 for an Application Form. Please quote Reference No R04/0694

**ERAS**

## FINANCIAL CONTROLLER

#### S.E. Herts

This is an unusual opportunity to make a significant contribution within an independent £multi-million turnover company with some 150 employees. Our clients are de-merging from a major plc by way of a "buy-in". The business is well-established with a respected range of branded consumer products. The new management plans to exploit the company's potential by widening the product range and the customer base. The strategy is that one of growth and improved customer service.

The new Finance Director sees the appointment of a Financial Controller as central to the sharper commercial focus required of the finance department. The Financial Controller will work initially with the Finance Director in improving all aspects of the company's systems and in training junior management/staff to meet a higher level of operational standards. Thereafter the range of

responsibilities is expected to be developed, with an increasing emphasis on the operational aspects of the company's expansion.

Applicants must be qualified accountants, probably aged late 20s / early 30s, with a background in financial control within a customer-driven business (preferably fast moving consumer products), a well developed understanding of information technology and good inter-personal skills. The package will reflect the seniority of the appointment by way of a performance-related bonus and the opportunity for capital gain in the longer term.

Please write with full CV, including salary history and daytime telephone quoting reference 1746/FT, to Dick Phillips ACIS, Phillips & Carpenter, 2-5 Old Bond Street, London W1X 3TB. Tel: 071-493 0156 (24 hours).

**Phillips & Carpenter**

## Financial Controller

### London

#### c.£55,000 + bonus + share options

Our client is a major name in the financial services sector, part of a large, well-respected Group, with annual revenues of over £400m.

As Financial Controller you will report to the Finance Director and be responsible for managing and developing the financial control function of the Company. You will control a staff of around fifty organised under four managers for financial accounting, credit control, accounts planning and financial analysis.

You will be a qualified accountant, with an impressive track record, preferably, but not necessarily, in the financial services sector. You will be keen to add value to the business and work proactively to support the operations.

You will be in your early to mid 30s, and have excellent management, presentation and communication skills, and well developed IT literacy.

This is an exciting chance to join the Company at senior level with prospects of career progression within the Group. Please apply in confidence, giving details of your career and current salary, quoting reference 0222, to AAD Executive Selection, 7 Curzon Street, London W1Y 7FL.

**AAD**

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## FINANCIAL ACCOUNTING MANAGER

### Central London

circa £36,000  
+ Car + Bonus



Our client is a high profile quoted financial services group. The Group's activities include managing investment portfolios of approximately £1 billion and joint venture operations with overseas investment banks. In addition it has recently acquired interests in other areas of financial services.

Projected growth is substantial, revealing a need for a manager of the team, to produce consolidated financial and management accounts, cash flows/budgets of two quoted groups, and liaise extensively at a senior level. It will also be important to monitor and review the operations of recently acquired businesses.

The successful candidate will be a chartered accountant, technically strong, possess proven management skills, as well as being highly computer literate, and diplomatic in their day to day business. The role reports to the Head of Finance. Previous financial services experience is preferred but not a prerequisite.

For further information please contact **Gary Johnson** or **Simon Clarke** on 071 629 4463 or write with your CV to the address below.

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## Financial Controller

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For a very substantial estate which incorporates a considerable range of business activities including farming, properties and woodlands, and a diverse portfolio of investments and other interests. This is a unique opportunity for an experienced financial manager to play an influential role within an ever-evolving organisation actively pursuing considerable development and change.

Reporting to the Chairman, you will, in managing a small team, assume total responsibility for the finance and accounting functions. Active in instigating improved levels of financial awareness, control and discipline across the operations, you will also be required to provide an informed financial perspective on a broad range of business issues. Initial objectives will include the further development of management information systems and the advancement of management reporting essential to secure the key information to control and plan the commercial success of the businesses.

A graduate, qualified accountant, ideally in your 40s, you should be able to demonstrate the relevant level of technical skills, commercial maturity and vision to support the profitable growth of business activities and the control of family interests. You must be capable of managing and developing the finance/accounting function in an effective and economic manner, and be able to apply creative and practical solutions to ongoing and developing issues. A "hands on" and enthusiastic individual, you must have the appropriate skills and personality necessary to succeed in this entrepreneurial environment.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive Resourcing Limited, 9 Greyfriars Road, Reading RG1 1JG, quoting reference AE894 on both envelope and letter.

## DIVISIONAL FINANCIAL DIRECTOR

UK BASED

C.£65,000 + CAR + BONUS + SHARE OPTIONS

## THE COMPANY

- Top 100 UK Plc
- Divisional profits in excess of £100m.
- Committed to future growth.

## THE ROLE

- Key member of the Management Team, ensuring continuing improvement in profitability and tight control of capital expenditure and of working capital.
- Ensure strong financial management input to business decision making.
- Responsible for the financial and management accounting function plus continuing development of management information systems.

## THE PERSON

- Qualified accountant, age indicator 35-45 with experience of sophisticated reporting systems gained within manufacturing or service industries.
- Proven hands on style, man manager and team player.
- Excellent career prospects within financial and general management functions.

Please write enclosing full curriculum vitae quoting ref: 138 to:  
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GROUP  
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£60k+

+ BONUS

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BENEFITS

LONDON

Our client is a publicly-quoted major international engineering group operating in 40 countries and with a turnover approaching £1bn. Internal promotion has created the need for a highly professional treasurer to join the corporate finance team. This will be a demanding and rewarding role for the right candidate.

Reporting to the Group Finance Director and directly in charge of a team of five, the executive will be responsible for all aspects of the group's global treasury management, with particular emphasis on funding strategy and implementation, bank relationships, hedging policy, interest rate and foreign exchange management and trade finance. A particular feature of the role is the opportunity to work with line management in finding creative solutions to commercial problems.

In addition, the person will be a member of the group's finance committee, will act as a director of a number of corporate companies and will act upon matters related to acquisitions and disposals.

It is desirable but not essential that the successful candidate will be aged early to mid 30s. He/she must be numerate, articulate and possess an accountancy, business and/or MCT qualification. Applicants should have a track record of achievement in an international treasury department and should have had exposure to decision-making at senior management level.

Essential characteristics for this role include maturity, credibility and intellect. Technical ability should be combined with commercial awareness. The appointee will be able to communicate solutions effectively to all levels of management.

Please write, enclosing full Curriculum Vitae to:  
Ian Magness  
(Executive Selection Division)

**RICHARD JAMES  
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CHIEF ACCOUNTANT -  
PRESTIGIOUS UK MERCHANT BANK

## CITY

Our client is a quoted independent merchant banking group whose diverse interests cover a broad range of financial services products.

Its significant progress and profitability is largely attributed to the outstanding service it provides to its clients, combined with a high calibre team of professionals working within the organisation.

Whilst continually seeking to expand their core business, they are also intent on making key strategic investments. A number of successful new ventures have recently been set up covering the areas of developments capital, structured finance and investment funds. These run along side a substantial property investment portfolio.

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## £45-50,000 + BENEFITS

In line with this exciting phase of growth, a new position has been created which assumes full responsibility for the running of the finance function.

Reporting to the Finance Director, you will manage a small team of professionals working to tight deadlines and covering all areas of financial and regulatory reporting. You will also be involved in tax and systems development issues.

Applicants should be experienced and fully qualified Accountants, probably aged over 45. You should possess first class communication and managerial skills, and ideally have gained experience in a Banking institution.

New Appointment  
Kent

To £40,000, car, benefits

Implications of contractual risk. More important, you will have a pragmatic, forward-looking, 'shirt-sleeves' approach to working with colleagues, reviewing controls, solving and indeed, anticipating problems. A planned national update of MIS systems will also demand a good level of user computer literacy and systems implementation skills. Prior management experience in a line role is essential. Age indicator 30-50.

Participation in a management incentive scheme (linked directly to regional profitability) will augment the quoted salary and benefits package. In the first instance, you are asked to write to Paul Lichten, Selection Adviser to the Organisation, quoting reference number 9429. Your response will be treated in complete confidence.

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6, Evelyn Road  
Worthing, Sussex BN14 8AY

Our Client is the successful regional operation of a major, well-financed national contracting organisation. A leader in its field and part of an international Plc, it provides a substantial design through to construction service for large industrial and commercial projects in both the public and private sectors.

In this newly-created role, reporting to the Regional Director and managing a small team located in the regional HQ and in outlying branches, you can expect the widest participation in both day-to-day management and the strategic future direction of the business. Responsible for financial control, reporting, accounting and MIS activity, you will also be an active centre of advice to senior colleagues on financial matters from contract tender to completion.

A confident qualified Accountant with strongly developed commercial judgement and interpersonal skills, you are most likely to have gained your experience in contracting, with a sound appreciation of the financial

## FINANCIAL ANALYST

Leading U.K. Blue Chip

CENTRAL  
LONDON

to £35,000  
+ Car  
+ Benefits

An outstanding opportunity has arisen for an ambitious and highly commercial finance professional to join one of Britain's leading companies. With an annual turnover in excess of £10 billion and operations throughout the world, the company is well placed to meet the global challenges of the future.

Working as part of a small, highly visible team, and liaising closely with senior management, your brief will be to provide detailed analytical support to enable the Board of Directors to make informed decisions on projects of major strategic importance. You will liaise with external advisors and much of your work will be project based.

The successful candidate will therefore require the following key attributes:

- Qualified graduate ACA/CIMA/CACA with first time passes and 1-4 years P.O.E.
- Exposure to special work or other non-audit assignments.
- Intellectually robust with the ability to understand key economic issues.
- Experience of writing detailed financial models.
- Commercial outlook combined with outstanding interpersonal skills.

We are interested in talking to candidates who can display records of consistently high achievement and who are comfortable working alongside senior decision makers. Energy, creativity and flexibility are all qualities which will enable you to take advantage of career opportunities within the company either in the U.K. or overseas.

Interested applicants should write in confidence to Andrew Livesey, quoting reference number 2022 at Nicholson International, (Search and Selection Consultants) Bracken House, 34-36 High Holborn, London, WC1V 6AS. Alternatively fax your details on 071 404 8128 or telephone 071 404 5501 for an initial discussion. Our client is an equal opportunities employer.

France Italy Holland Spain Germany Belgium Turkey Poland Czech Republic Hungary Romania Russia

**NICHOLSON  
INTERNATIONAL**

## FINANCE DIRECTOR

Humberside Shipping Services

We are a division of a UK Plc engaged in stevedoring, warehousing and distribution.

Reporting to the Divisional Chief Executive you will be an important member of the management team. Your responsibilities will cover all aspects of financial management but with particular emphasis on strategic planning, the development of computerised information systems and the maintenance of strict financial disciplines and controls.

Candidates should be qualified accountants aged 30-40 with strong commercial and interpersonal skills and experience in freight forwarding/distribution.

We offer a competitive salary, car and other normal company benefits.

Interested candidates should forward a full CV to:

Mr Colin Copland, Financial Director,  
The Global Group Plc, Cranbrook House,  
Redlands, Coulsdon, Surrey CR5 2HY



# Group Chief Accountant

## Northants

Scott Bader Company Limited was established in London in 1923, before moving its manufacturing facilities to Northamptonshire, the present site and corporate headquarters. A £67m turnover group, principal activities are the development, manufacture, distribution and sale of Polymers and Synthetic Resins for application in diverse markets, with priority now given to innovative markets where the company's strength in polymer technology can be exploited.

Acquisitive and forward thinking, Scott Bader has and will continue to grow, with manufacturing facilities in the UK, France, Dubai and South Africa with extensive licensee and distribution interests worldwide. Operating largely in niche and specialist markets, Scott Bader Group is committed to excellence not only in its products, but also to its employees, offering them full and extensive participation and consultation as well as a rewarding and a particularly pleasant working environment. Accordingly, concern



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## Package to £37,000 + PRP + Relocation

for the environment is a high priority, and has earned them much recognition in this area.

The imminent retirement of the present Group Chief Accountant now requires the recruitment of a similarly high calibre replacement. Candidates will ideally be aged mid to late thirties with experience of group roles. Technically accomplished and highly systems literate you must display both a hands-on approach as well as the maturity and interpersonal skills to relate at all levels. A team builder, you will have an enquiring mind and the ability to support the Head of Finance in the corporate finance arena, as well as assisting in treasury and taxation duties.

If you feel you have the necessary attributes to be an effective part of this success story, please forward a comprehensive curriculum vitae to Chris Tovey at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham, B4 6QD.

## FINANCE DIRECTOR

SPANISH SPEAKING

LONDON £38 - £48,000 + CAR + BENEFITS

EXPANDING FRESH FRUIT IMPORTERS, PACKAGING AND TRANSPORTATION GROUP SUPPLIERS TO LEADING RETAIL CHAINS TO IN EXCESS £40M

Due to continued European expansion, A G Thame requires applications from qualified accountants, preferably ACAs, aged 20's to early 40's. Candidates should ideally speak Spanish and have a minimum of four years sound financial accounting experience in fast moving manufacturing or distribution environment.

The successful candidate will have experience in installing financial control and reporting systems. Experience of having worked in Europe is important. The selected candidate will report to and work closely with the Group Managing Director and will play a key role in formulating and achieving Group objectives. Frequent visits to the Group's Spanish operations will be required and will include implementing effective reporting systems and assisting local management with budgeting, control systems and general financial management.

The successful applicant will work with the Managing Director as member of an entrepreneurial team and will be responsible for the preparation of consolidated Group management accounts, as well as dealing with budgets, forecasts and capital expenditure projects. A strong and assertive personality is essential. Applications should write in strict confidence to the Managing Director, Thames House, Warspite Road, Woolwich, London SE18 8NU.



# StorageTek. Financial Controller

## Surrey

StorageTek UK is a £70m turnover subsidiary of the US based Storage Technology Corporation, the undisputed market leader in the storage and retrieval of electronic information, with revenues of more than \$1.4 billion worldwide.

As a result of acquisition and the imminent launch of industry best products, StorageTek is on course for doubling in size within the next 2-3 years.

Internal promotion has created the opportunity for a key individual to join a highly motivated finance team committed to delivering outstanding results against a background of dynamic corporate growth.

Reporting to the UK Finance Director, responsibilities will include all financial and management reporting both to UK and US senior management, comprehensive forecasting and analysis requiring proactive interface with business managers to influence as well as report on bottom line performance. As a Corporation committed to TQM, this role will involve active participation in multi-disciplinary teams focused on improving company performance. In addition, the role will involve direct contact with external customers.



Michael Page Finance  
Specialists in Financial Recruitment  
London Bristol Windsor St Albans Leatherhead Birmingham  
Nottingham Manchester Leeds Glasgow & Worldwide

## c £40,000 + Car + Benefits

Applicants should be qualified, probably aged mid 30s, and ideally come from an IT background and/or a US results-driven culture. The ability to demonstrate an unequivocal track record of achievement to date is essential. In addition, they seek a team leader with drive, commitment and first-class interpersonal and communication skills gained within a quality environment.

Key to success in the role will be the ability to motivate, train and continue to develop a high calibre finance team, some 20 strong, to meet the tremendous challenges ahead.

On offer is an opportunity to join a highly successful company looking to develop an outstanding talent into Directorship material within the near future.

Salary will not be an obstacle for the highest quality individuals.

Interested applicants should forward a comprehensive curriculum vitae to Liam Dowds at Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG, quoting ref: J191293.

# Group Financial Controller

## Basingstoke, Hants

## c £33,000 + Car + Benefits

• Multi-currency treasury functions for Group companies. The successful candidate, probably aged between 28-35, will be a qualified accountant of high calibre with sound technical accounting experience, well developed business sense and excellent spreadsheet skills. Previous group consolidation and corporate tax experience is essential.

Previous exposure to a publishing environment would be an advantage but is not a requirement.

Successful applicants must demonstrate an enthusiastic and outgoing personality, coupled with an ability to assess materiality but also to master the underlying detail when required.

Candidates interested in this challenging opportunity should apply immediately by sending a full curriculum vitae to Angela Webb at Michael Page Finance, Windsor Bridge House, 1 Bucras Street, Eton, Berkshire SL4 6BW. Telephone: 0753 856151.



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# International Electronics Group Taxation Manager

## Hertfordshire

Our client is a leading international electronics group which is a market leader in its specialised business.

The growth of the group, particularly across Europe, and the increasing demands of the business has created the need for a dedicated Tax Manager. This new role is an excellent career opportunity for a young qualified accountant to cut his/her teeth in commerce and contribute to the bottom line.

Reporting to the Finance Director, the key responsibility of the role will include:

- Management of the UK and International tax compliance with a 'hands-on' approach to local queries.
- Control and proactive planning for a variety of international tax issues.
- Liaison with, and a proactive approach to line financial management.
- Management, with the assistance from external



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## £ Excellent

sources, of the Group VAT position with a view to the European Single Market.

Ideally you will be aged 28-35 and a qualified accountant with at least five years taxation experience gained in a leading international firm of chartered accountants.

A thorough knowledge of the UK taxation system together with some practical experience of European tax issues is required. Leading edge exposure to senior financial management will require excellent interpersonal and communication skills with a high level of self motivation and strong commercial awareness.

The position offers an interesting technical challenge but requires an individual who can produce solutions which apply to the business.

Interested applicants should write to Chris Nelson, at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH. Telephone: 071 831 2000.

# Operational Review

## Treasury & Capital Markets

## £32-38,000 Package + PRP

the opportunity to move into mainstream Treasury and Capital Markets or other areas within the Group.

In addition to possessing prior audit experience of Treasury and Capital Markets products, the right individuals will be graduate ACAs who are eager to learn and develop, can demonstrate maturity and commercial awareness, good IT skills, ability to liaise effectively at a senior level and are enthusiastic to take on new challenges. Alternatively high calibre ACAs or equivalent with an interest in Treasury and Capital markets and excellent interpersonal skills will be considered.

Salary will be dependent on experience and ability and the package will include extensive banking benefits.

Interested applicants should enclose with their CV a covering letter detailing their suitability to John Zafar, ACMA, Manager, Financial Services Division at Michael Page Finance, Page House, 39-41 Parker Street, London, WC2B 5LH.



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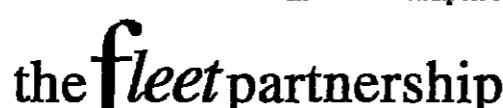
# INTERNATIONAL BANKING

## Europe/Far East/USA • Highly competitive remuneration package

Our client is one of the most prestigious banking organisations in the world. The quality and diversity of its products together with its global presence is the envy of most of its competitors and commands the respect of all of them. Now entering a phase of growth the Bank wishes to recruit additional staff in London to strengthen a highly regarded audit function.

Ideally candidates must meet the following requirements:

- A depth of experience (minimum 2 years) in a financial services auditing environment.
- A commitment and potential to succeed to a position of greater seniority within 2-3 years.
- A willingness to travel and spend periods of 4-6 weeks in a variety of locations, principally Europe but also including the Far East and the USA.



Financial Recruitment Consultants

117 Newgate Street, Old Bailey, London EC1A 7AE. Telephone: 071-600 6500 • Fax: 071-600 6300

# FINANCIAL SYSTEMS MANAGER

## £33,500 + car + benefits

• The development of flexible systems capable of absorbing both organic and acquisitive growth.

Ideally the successful candidate for this role will be a qualified graduate accountant, aged 28 to 35, preferably from a manufacturing background with experience of implementing advanced systems. You will have the intellect to think of financial systems from a wider strategic perspective including the impact on non-financial functions and have the vision to take into account the worldwide perspective. In addition you must have excellent interpersonal skills and the will to succeed in this dynamic environment.

To apply please write with a full CV quoting reference 60533FT to Steven Webb, BIALA, 220 Wimborne Road, Executive Resources, 13 Berkeley Square, Cheltenham, Gloucestershire GL50 1JL.

WHEALE THOMAS HODGINS PLC

## FINANCIAL CONTROLLER (Director Designate)

Long-established Advertising/PR agency needs a Chartered Accountant to run its Accounts Dept with a staff of three. Responsible to Chairman, this position would suit a meticulous person used to deadlines, aged 30+ and already earning approx £30,000.

Please write enclosing CV to:  
Peter J Hyde, Hyde & Partners Ltd,  
Victoria Station House, 191 Victoria Street,  
London SW1E 5NE.

Please write enclosing CV to:

### CENTRAL LONDON

Our client is a leading player in key European markets in its chosen sector. From the London Headquarters the Group Finance team enjoys a high profile role in the direction of the Group's commercial activities.

Treasury is a key function providing an essential service to the Group's operational management. There is now a need to recruit a Treasury Accountant.

The primary responsibilities of this new position are:

- day to day tracking, analysis and control of key group cashflows, actual and projected.
- maintaining the central debt register and ensuring the validity of all debt movements Groupwide.

£30-35,000 + BENEFITS

The entry point will be appropriate either for individuals who are already employed as part of a treasury function or who are currently in the Profession with an ambition to move into a treasury area within commerce.

Applicants will demonstrate high levels of drive and commitment as well as the willingness to participate fully as a member of a highly qualified Group Finance team.

Interested candidates should write to Jon Boyle ACA at Robert Walters Associates, 25 Bedford Street, London, WC2E 9HP. Tel 071-379 3333. Fax 071-915 8714.

ROBERT WALTERS ASSOCIATES

## Capital Investment Manager

London c. £30,000

Having completed our seventeenth consecutive year in profit, the Post Office continues to improve customer satisfaction and strives to promote commercial excellence while at the same time bringing in change on a massive scale.

Helping us to make the right investment decisions for the Post Office group, you'll be expected to share our understanding of what is in our long term commercial interests.

This role covers all aspects of capital planning, investment and project appraisal, including strategic appraisal and project monitoring; it involves research, reporting and monitoring of best practices. Importantly, you'll be expected to analyse and give advice on investment projects.

It is above all a role calling for individual excellence and commitment to working as part of a talented team. We are looking for a qualified accountant with experience in project evaluation or management. You'll be able to grasp and assimilate facts quickly, analyse them methodically, reach sound conclusions and present them with clarity and brevity. Experience of large scale organisations is vital, and you'll need to show the qualities of tact and professionalism.

The rewards on offer, besides the competitive salary, include a generous benefits package.

For further details and an application form please contact Francis Lewis on 071 320 7083 (24 hour answering service).

The Post Office is an equal opportunities employer and welcomes applications from all sections of the community. Suitably qualified applicants with disabilities will be shortlisted.

THE POST OFFICE



## Group Finance Professionals

UK Stockbroker to £30,000 + Bonus + Benefits

Our client is a leading corporate stockbroker with an excellent reputation for research and quality of service. In recent years they have undergone a significant period of development and they are now seeking to strengthen their finance department by the recruitment of two additional accountants.

### Financial Accountant

You will report to the Group Financial Accountant and be responsible for preparing monthly profit and loss accounts and balance sheets, SFA, quarterly VAT and other returns. You will also be involved in a variety of ad-hoc project assignments.

Candidates will be qualified ACA, CACA or CIMA with up to two years post-qualification experience. Some financial or management accounting experience is essential although financial services experience is not required as the emphasis will be on team players with strong interpersonal skills and the ability to work well under pressure.

These are excellent opportunities to fully develop your potential in a supportive and exciting environment.

Interested applicants should contact

Andrew Fisher, Parkwell Management Consultants Ltd  
3 Catherine Place, Westminster SW1E 6DX Tel: 071 233 5207 Fax: 071 233 5205

London

### First Class Remuneration Package

#### The Company:

Sedgwick is a leading international risk consultancy, insurance broking, employee benefits and financial services group, with a network of more than 260 offices in 60 countries and revenue of around £950m.

We are looking to recruit a Group Financial Analyst into our Financial Control team based in the group's Head Office at Aldgate.

#### The Opportunity:

Reporting to the Group Accounting Controller, the successful applicant will work closely with a small professional team in London and Witham, Essex.



Sedgwick

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### APPOINTMENTS WANTED

#### CORPORATE FINANCIER

London-based Chartered Accountant/Director with significant commercial and financial experience within the UK and Europe. An exciting opportunity or challenging assignment anywhere in Europe. All replies will be acknowledged and treated in confidence.

Write to Box A2062,  
Financial Times,  
One Southwark Bridge,  
London SE1 9EL

Our client, a leading player in the design and manufacture of hi-tech equipment for survey, navigation and tracking purposes, is looking to recruit a commercially minded, qualified accountant to the position of Director of Finance for its European sales and distribution operation based in the UK.

Reporting to the Managing Director, and with a dotted line responsibility to the Vice President of Finance in the USA, the successful applicant will function as part of the senior management team with responsibility for the day to day finances of the company. In broader business terms, the Director of Finance must be decisive and technically competent as he/she will be expected to make a major contribution to the commercial aspects of the European operations from a financial standpoint. This is no ivory tower appointment and the postholder will be expected to make an immediate contribution at local operational levels throughout the European businesses.

Candidates for the position will be graduate, qualified accountants, able to demonstrate a

## Director of Finance

c. £50,000 + Car + Share Options

Our client, a leading player in the design and manufacture of hi-tech equipment for survey, navigation and tracking purposes, is looking to recruit a commercially minded, qualified accountant to the position of Director of Finance for its European sales and distribution operation based in the UK.

Reporting to the Managing Director, and with a dotted line responsibility to the Vice President of Finance in the USA, the successful applicant will function as part of the senior management team with responsibility for the day to day finances of the company. In broader business terms, the Director of Finance must be decisive and technically competent as he/she will be expected to make a major contribution to the commercial aspects of the European operations from a financial standpoint. This is no ivory tower appointment and the postholder will be expected to make an immediate contribution at local operational levels throughout the European businesses.

Interested candidates should write enclosing a detailed curriculum vitae, with salary details and outlining their suitability to the position, to Jeff Cottrell, Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH quoting reference JC547.

ERNST & YOUNG

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## Group Finance Director

£70-80,000 + bonus + share options Location flexible

This is an exciting opportunity to join a rapidly expanding engineering based plc as Group Finance Director, working closely with the Chief Executive. Responsibility for the whole financial function includes corporate aspects - financial strategy, acquisitions and divestments - and operating company reporting and control.

To fulfil this role, you will be a qualified accountant and probably a graduate with a good degree. You will have reached Finance Director level already via both operational management and HQ exposure and you will have plc experience, including familiarity with Stock Exchange requirements. Ideally you will have a background in engineering or manufacturing companies. You will also be computer literate and have experience in implementing new systems. Age will not be a key determinant, but intelligence, commitment, personal credibility and energy will.

This is an exciting role offering a tremendous challenge to the right candidate. It will also be demanding on time and commitment and over the next year or so, long hours and living out of a suitcase could well be part of your existence. Your team will be small, so your style will need to be "hands on".

Rewards will include potentially very attractive share options in addition to a competitive basic salary, bonus and normal executive benefits.

Please write to Mark Hartsorne at the address below, quoting reference D/0050, advising why you feel you meet this specification and enclosing your CV and remuneration details: Executive Search & Selection, Price Waterhouse, Cornwall Court, 19 Cornwall Street, Birmingham B3 2DT.

## Finance Manager

### Broad Commercial Role

c.£30,000 + Car + Benefits

West Midlands

Outstanding opportunity for commercially focused young finance professional. Wide ranging responsibilities within continuous improvement culture. Director designate position.

#### THE COMPANY

◆ Highly successful subsidiary of £500 million plc. Turnover £7 million. Fast growing, 40% compound growth year on year.

◆ Regarded for product innovation and outstanding customer service.

◆ Quality focused. Goal to achieve world class manufacturing status.

#### THE POSITION

◆ Lead team of 15 in accounts, quality, systems, personnel, warehouse and purchasing functions. Report to Managing Director.

◆ Ensure the timely and accurate production of financial results. Liaise with divisional and Group Head Offices.

Please send full cv by June 24th, stating salary and ref. GSM2248, to

Barkers Response & Assessment, Berwick House, 35 Livery Street, Birmingham B3 2PB

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# 「FTジャパンクラブ♣️ アニュアル・リポート・サービス」



## クラブ・マークで インベスター・リレーション活動を

フィナンシャル・タイムズ(以下FT)では、日本企業のインベスター・リレーションの活動を促進するため、FT紙面 "World Stock Markets" 頁の日本株式市場欄に網羅されている日本企業のみを対象に、アニュアル・リポート・サービスを実施しております。

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### Financial Times (Japan) Ltd.

Kasahara Building,  
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Chiyoda-ku, Tokyo 101,  
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The FT Japan Club has been set up to promote investor relations. Membership of the club is only open to Japanese companies listed on the World Stock Markets page of the Financial Times. Annual reports of member companies will be sent on request to prospective investors.

Membership will be on a first come, first served basis. Names of the companies who have joined the FT Japan Club will be annotated by the ace of ♣️ clubs in the column of Japanese stocks.

The range of benefits which members companies enjoy include:

- \* FT will send the reports within 24 hours to people who have requested a copy.
- \* The names of people who have asked for annual reports will be given on disk to members of the FT Japan Club.
- \* The FT will promote the annual report service regularly in the paper.
- \* Each member company will be given a 1/20 page space in the FT free of charge to promote their corporate profile.
- \* Each member company will send copies of their annual reports to FT Japan Ltd. who in turn will despatch the reports to London.

For more details including the membership fee, please telephone or write to:

### Tatsuko Dawes

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